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Why Reagan and Congress are clashing, Page 10

World news

EEC tries again to change treaty

The EEC foreign ministers today relaunch their attempt to make the Community more competent and streamline its cumbersome decision-making process.

The ministers meet in Luxembourg to decide on the procedure and timetable for the talks on amending the Treaty of Rome. The proposal has split the community, with Britain, Denmark and Greece wanting to limit any changes involving national sovereignty.

Member states will have until mid-October to put formal proposals for change with a December deadline for agreement. Page 12

Syria asked back

Lebanese Prime Minister Rashid Karami called for the return of Syrian troops to impose order in Beirut barely three years after Israel forced them out. Page 2

Parties deny split

The leaders of the two British centre parties, the Liberals and Social Democrats, denied there was a split in their electoral alliance. Page 5

Star wars rejection

Canada has turned down President Ronald Reagan's offer to participate officially in research on the star wars project, but will provide normal government tax incentives and grants to Canadian companies receiving contracts. Page 2

Pakistan law move

Pakistan's military Government moved a parliamentary bill to amend the constitution to bar courts from challenging martial law, under which the country has been ruled since 1977.

Election killing

Sikh extremists shot dead a youth leader of the ruling Congress (I) Party in the first killing since campaigning began three days ago in the Punjab elections. Page 2

Seine blocked

About 100 barges blocked the Seine in protests about competition from SNCF, the French national railways. Page 2

Stranded at airport

Sixty-four Mauritanians expelled from Libya last week are stranded at Madrid airport after their country refused to admit them. Mauritania accepted women and children who had accompanied the men.

Vigilantes moved

Israeli paratroopers ordered armed Jewish vigilantes off the streets of Arab towns in the West Bank which have been hit by Palestinian attacks. Page 2

Norwegian poll

Voting began in the remote communities of Norway ahead of today's main poll for the 157-seat Storting (parliament). Page 12

Rau for Moscow

Johannes Rau, the likely next leader of West Germany's opposition Social Democrats, left for Moscow to seek business for North Rhine-Westphalia, his home state. Page 2

Hard work order

Soviet leader Mikhail Gorbachev has told officials in key oil and grain regions to boost output through harder work and new technology or face dismissal.

Tamils 'burned'

About 34 Tamil bus passengers were burned alive in Sri Lanka by a group of Sinhalese, a Tamil guerrilla spokesman said in Madras, southern India. A Government official in Sri Lanka could not confirm the incident.

Iran takes base

Iran said its troops took eight villages on the Iran-Iraq border and an Iraqi base in an attack on the northern Gulf war front.

Business summary

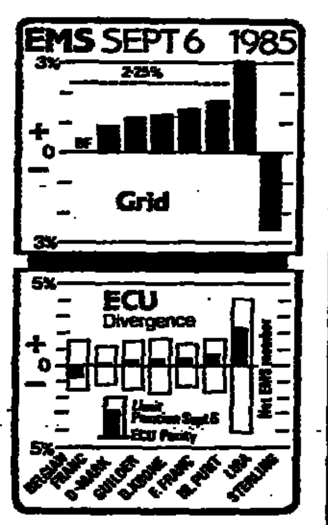
BAT to sell UK subsidiary for $193m

BAT INDUSTRIES, tobacco-to-insurance multinational, plans to sell its subsidiary Grovewood Securities, an industrial holding company, for about £140m ($193m).

BAT is understood to have received a cash offer from an unnamed UK company for Grovewood, which has interests ranging from Brands Hatch motor racing circuit to builders' merchants and nursing homes.

Grovewood chairman John Danny has been given the chance to try to organise a rival management buy-out backed by a consortium of City institutions.

THE BELGIAN franc continued to improve last week, showing little reaction to the dissolution of parliament and a half-point cut in the country's bank rate to 9¾ per cent. The firmer trend developed without any assistance from the central bank, receiving a boost towards the end of the week when the dollar rose sharply against the D-Mark. A stronger dollar usually helps the weaker members, as funds are switched out of D-Marks and into dollars to a greater extent than from other EMS currencies. The Italian lira stayed at the top of the system and showed a useful rise from the previous week.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO share prices improved in fairly active trading in Saturday morning's session, reflecting Wall Street firmness. The Nikkei-Dow index rose 25.21 to 12,679.06 and the Stock Exchange index was 0.44 higher at 1,002.16. Page 25

CANADA'S Government faces growing criticism over its handling of two Alberta banks which collapsed last week. The failures have also raised questions about the role of external auditors in alerting the authorities to potential trouble spots. Page 13

SOUTH AFRICA discovered it has few friends left in the international financial community during the 10-day tour of financial capitals by Dr Gerhard de Kock, Governor of South Africa's Reserve Bank. Page 13

SALOMON BROTHERS, Wall Street investment bank, and a group of other Wall Street firms, plan to acquire PGB Securities, a U.S. Government bond inter-dealer broker owned by Mabon Nugent. Page 12

MICHELIN has become the latest major French private company to turn to the equity market, with its first rights issue in 15 years expected to raise about FFr 1bn ($116.5m) in fresh funds for the tyre group. Page 16

MALAYSIAN AIRLINE System, government-owned carrier, will be partially privatised this year. The *flotation, of 30 per cent, will be the* country's biggest. Page 16

White House set to reverse policy on S. Africa sanctions

BY STEWART FLEMING IN WASHINGTON AND ANTHONY ROBINSON IN JOHANNESBURG

IN AN *abrupt policy reversal aimed* at trying to head off defeat in Congress, the White House is expected to announce today that it will impose a package of economic sanctions on South Africa.

Senator Robert Dole, the Republican majority leader in the Senate, said *yesterday* that if the Administration *adopts* the measures he is expecting he may try to postpone until next year a Senate vote on sanctions legislation.

Senator Dole's comments followed a report in the New York Times yesterday that the White House was seeking a ruling from the General Agreement on Tariffs and Trade (Gatt) to permit it to impose a ban on the import of gold Krugerrand coins. Senator Dole indicated that as a result of talks he had had with Secretary of State George Schultz he thought the New York Times report was probably accurate.

In adopting its own sanctions package the White House is expected to embrace some of the proposals already in the legislation on Capitol Hill, such as the ban on U.S. bank loans to South Africa, but to water down others and leave some *of the proposed sanctions out* completely. It is expected to ban computer sales that could help South Africa enforce apartheid and sales of nuclear equipment and technology until South Africa agrees to the nuclear non-proliferation treaty.

The expected White House move to apply sanctions itself against Pretoria represents a dramatic reversal of its policy stance. Hitherto officials have indicated that President Ronald Reagan would definitely veto the compromise sanctions bill which has already been passed by the House of Representatives. *The bill is at the top of the* legislative agenda in the Senate which reconvenes after the summer vacation today.

Senator Dole and other top Republicans in both the House and the Senate have said that they believe that feeling against South Africa is running so high in Con*gress that the legislation would* not only clear the Senate, but almost certainly win enough votes to override a Presidential veto.

Senator Dole said yesterday that he felt that if the White House and the Congress were to be seen working together on sanctions against Pretoria that would *send a stronger* message to the South African Government.

He made it clear yesterday that he was unsure precisely what the Administration's sanctions package would contain and partly for this *reason he would await the details of* the announcement before deciding whether to try to postpone the vote due later this week.

He pointed out that he would also have to get approval of Senate foreign relations committee chairman, Senator Richard Lugar, and Senator Nancy Kassebaumn, to the delay. *Senator Lugar is reportedly* maintaining that he is not ready to let the sanctions legislation drop unless the White House embraces all its provisions.

The U.S. move followed further evidence from South Africa that Mr P. W. Botha, the state President, is continuing to take a tough line.

In a statement referring to the possibility of South African businessmen having exploratory talks with the banned African National Congress (ANC), Mr Botha said

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SDP debate, Page 5

Thatcher acts in U.S. Army contract battle

BY BRIDGET BLOOM IN LONDON

BRITAIN is making a major political and industrial effort to prevent the biggest U.S. Army contract ever awarded to foreign bidders from going to a consortium of French companies.

Downing Street and the Defence Ministry yesterday confirmed that the British Prime Minister, Mrs Margaret Thatcher, had written to President Ronald Reagan about the $4.3bn contract in which Plessey and France's Thomson CSF are involved in rival bids to supply the U.S. Army with a battlefield communications system.

At the heart of the bids are the *British Ptarmigan system and the* French Rita – Réseau integré de Transmissions Automatique – being fielded in consortia led respectively by the U.S. Rockwell International and by General Telephone and Electronics (GTE).

Mrs Thatcher's intervention comes in the wake of telephone and letter contacts between Mr Michael Heseltine, the British Defence Secretary, and Mr Caspar Weinberger, the U.S. Defence Secretary, during *the past fortnight.* Mr Heseltine intervened when it became known *that the U.S. Army was on the* verge of recommending acceptance of the GTE/Thomson offer, which was substantially below – some accounts say as much as 18 to 20 per cent below – that of Rockwell Plessey.

While Mr Heseltine's action succeeded in delaying the Pentagon decision *beyond its due date at the* end of August, the Defence Ministry and the Foreign Office clearly felt last weekend that bigger political guns were needed if the contract were to be saved.

Officials declined yesterday to disclose the contents of the Thatcher communication, but it is understood the Prime Minister made much of the so-called special relationship between the U.S. and Britain and referred, in particular, to Britain's favourable response to the American Strategic Defence Initiative (SDI), or Star Wars, programme. *France has officially op*posed the SDI plans.

Britain also hopes U.S. officials *will weigh up the domestic political* implications of the deal in a congressional election year. It is said that, if the contract went to GT E Thomson, most work would go to factories in Democratic Massachusetts, while the Ptarmigan bid would involve work in Texas and other South Western Republican areas.

The effort being mounted by the British *Government* is the biggest for many years in relation to a U.S. *defence contract, though Mrs* Thatcher has the reputation for giving companies stout support in

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Westland back in the running for Indian helicopter contract

BY JOHN ELLIOTT IN NEW DELHI

WESTLAND is back in the running to win a £65m ($88m) order from the Indian Government for 21 helicopters, five months after Mr Rajiv Gandhi, the Indian Prime Minister, *said the aircraft did not meet his* country's specific requirements.

The order is urgently needed by Westland to help it through its current financial problems. The company has therefore made a new long-term offer to try to cut operating costs, which were a cause of concern to the Indian Government.

*That offer would not affect the in*itial £65m order for 21 W30 helicopters and spares, which would be entirely funded by grants from the British Government. But it would provide guarantees on the price of spares delivered between seven and 20 *years from now.*

Westland has also satisfied authorities in New Delhi about the aircraft's ability to take off in hot conditions from oil rigs without any safety risk, reducing from three seconds to zero the time during which there might be a crash if an engine failed.

Whether Westland will now receive the order may become clearer within a week or two. Fresh trials are to take place this week in the Bombay High offshore oil and gas field, using one W30 helicopter that was sent to Bombay late last year *in advance of an order being fina*lised.

Westland's main competitor, Aérospatiale of France, reopened negotiations to sell its Dauphin helicopter with the Indian Government after Mr Gandhi, who is Minister for Aviation as well as Prime Minister, made his remarks in April and May.

But no talks appear to have taken place recently with Aérospatiale, despite some rumours in Delhi that the size of the order might be increased to 40 aircraft and split between the two competitors. That *would enable India to make use of* substantial aid offers from both countries.

The helicopters, which will service offshore rigs of the Oil and Natural Gas Commission, will be operated by a new helicopter corporation, which is to be set up soon.

The corporation will probably need between 45 and 80 aircraft for a variety of duties including fire-fighting, disaster relief work, pipeline surveys, traffic control and transporting government officials as well as servicing offshore oilfields.

The corporation is therefore likely to look at other helicopters from *countries such as the U.S., where it* is interested in Sikorsky, and West Germany as well as the UK and France, once the oilfields order has been decided.

In an interview published yesterday in The Sunday Times, Mr *Gandhi said that if Westland could* meet India's requirements, he could "see no reason why we will not buy it."

It was his first public statement since he caused a diplomatic furore in April and May by appearing to *rule out an order with Westland.* The remark confirms that Westland is in the running.

But Mr Gandhi also said in yesterday's interview: "The job we want the helicopter to do is a much smaller job than the Westland is capable of".

However, some Indian officials now believe that Westland has a good case

Chinese to store N-waste in Gobi Desert

By David Fishlock in London

PLANS FOR the world's first international store for radioactive nuclear fuel in the Gobi Desert, in China, are *being* prepared as part of negotiations between the West German and Chinese *governments* on sales of German nuclear reactors to China.

China has offered to store up to 1,000 tonnes of spent nuclear fuel and supply West Germany with uranium and non-ferrous metals, in exchange for a *Kraftwerk Union* pressurised water reactor.

Two German nuclear engineers – Dr Klaus Messer from RWE, Germany's biggest eectricity company, *and Dr Carsten Salander,* a director of DWK, which takes responsibility for Germany's spent nuclear fuel and nuclear wastes – laid the basis for the Chinese storage plan on a visit to China late in August.

A Chinese delegation will follow *it up* in Bonn next month.

The plan offers the German electricity industry another option for disposing of its spent nuclear fuel, a legal requirement of the licence to operate a nuclear station.

It has the support in principle of *Chancellor Helmut Kohl, who is* backing West German industry's efforts to sell nuclear technology to China.

The plan envisages sending 150 tonnes of fuel initially, to test the principles of storage, transport and safeguards.

The fuel will be placed in temporary storage, *from which the Chi*nese will be able to retrieve it for reprocessing to recover its plutonium and uranium. It will contain about 5 tonnes of uranium and about 50 kilogram of plutonium.

The store will be operated under international nuclear safeguards and regularly inspected by the In*ternational Atomic Energy Agency* (IAEA) to verify that no plutonium is being diverted into the Chinese nuclear weapons programme.

To comply with German terms, China – which joined the IAEA last year – will have to agree to international inspection.

Details of the storage plan came to light at the Uranium Institute symposium in London this week, where Dr Hans Blix, director-general of the IAEA, in a closing address urged international fuel storage as "an area where co-operative *ventures could be a solution to a* problem which will become urgent for some states in a few years."

The Chinese also tried to persuade the West Germans to provide gas centrifuge technology for the

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Reagan orders probe into trade practices

BY OUR WASHINGTON CORRESPONDENT

PRESIDENT Ronald Reagan says he will launch a series of investigations into alleged "unfair trading practices" by Japan, the European *Economic Community, Brazil* and South Korea, in an attempt to erode support for protectionist legislation on Capitol Hill.

His announcement drew expressions of surprise and regret from among the nations involved. It also *drew a lukewarm response from* Republican and Democratic trade experts on Capitol Hill.

Senator John Danforth, the influential Republican who has been a leading critic of the White House's failure to give a higher priority to *tackling the soaring U.S. trade defi*cit, suggested that Mr Reagan "is just throwing a bone to an increasingly protectionist Congress. I do not think [it is] adequate to constitute a full fledged policy."

Senate majority leader Robert *Dole also said yesterday that he did* not think the White House moves went far enough.

Other trade experts on Capitol Hill suggested that the White House was moving too cautiously and too belatedly significantly to weaken support in Congress for the passage of some form of protectionist legislation.

In his announcement, the President again underlined the strong free trade stance he has taken, emphasising that the decisions were designed to improve the access of U.S. goods to foreign markets, not to close U.S. markets to specific imports.

"While we will use our powers as a lever to open closed doors abroad, we will continue to resist protectionist measures that would raise prices, lock out trade and destroy the jobs and prosperity trade brings to all."

Mr Reagan also warned that if the EEC and Japan failed to take steps by December 1 to tackle the unfair practices the U.S. is complaining about, he would take retailiatory measures "as a last resort."

He did not say what retaliation would be considered, but under Section 301 of the U.S. trade laws, which the White House is using to initiate the trade cases, the President has wide-ranging powers including the right to block access to the U.S. market.

The White House move represents a new effort to resolve some long-standing trade disputes and to *signal a tougher stance on trade* issues.

One of the prime targets of the new White House thrust is to increase the pressure on Japan to improve access by U.S. manufacturers to the $10bn-a-year Japanese tobacco market. The U.S. maintains that because of trade barriers, it has only a 2.1 per cent share of the Japa*nese cigarette market.*

The U.S. is also seeking to force Japan to remove import quotas on leather goods, in order to improve U.S. access to its $1.6bn-a-year leather market.

In the case of South Korea, laws that prohibit *foreign* companies from writing life and certain fire insurance policies for Korean nationals are under attack. In Brazil, the White House is taking aim at a law that restricts foreign computer imports and limits to Brazilian-owned *companies the right to produce and* sell certain high-technology products.

The case against the EEC involves a long-standing dispute over its subsidies to canned fruit producers, which the General Agreement *on Tariffs and Trade* (Gatt) has already found infringe on U.S. trade rights.

Our Foreign Staff adds: Brazil's Foreign Relations Ministry said at the weekend that it regretted the White House decision. In a four-paragraph response, it said the domestic law on computers met national *interests in economic and techno*logical development, and did not imply unacceptable trade practices.

Brazil's law restricting the development of the micro and minicomputer market to domestic Brazilian companies has been the target of severe criticism *from* multinational corporations.

The policy, which was enacted in 1975, has also been attacked by visiting U.S. officials, as well as by Herr Martin Bangemann, the West German Economics Minister, during his recent visit. Among the multinational companies established in Brazil, and which *have felt* the squeeze, are IBM, Burroughs, Hewlett-Packard, Control Data Corporation, Siemens and Pirelli.

In Japan, Mr Shintaro Abe, the Foreign Minister, and other government officials expressed surprise at President Reagan's decision. Government officials said Japan had denationalised its tobacco monopoly and had eased rules for the do*mestic sale* of foreign tobacco products.

Mr Abe, addressing a meeting of the ruling Liberal Democratic Party at Hakone, south-west of Tokyo, said: "We consider the tobacco issue has already been settled", adding that Japan had also planned to settle the issue over leather goods by December, through the Gatt.

Disagreement with Congress, Page 10

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OVERSEAS NEWS

SPD's troubles overshadow Moscow talks

BY PETER BRUCE IN BONN

A SECOND damaging row within a week has broken out in the ranks of the main West German opposition party, the Social Democrats (SPD), just as the man most likely to lead it into the next election, Herr Johannes Rau, prepares to meet the Soviet leader, Mr Mikhail Gorbachev, tomorrow for the first time.

Herr Rau, who flew to Moscow yesterday for talks, is premier of the state of North Rhine-Westphalia. It is understood, that the SPD leadership is very close to naming him its candidate to stand for the chancellorship against Chancellor Helmut Kohl in February 1987, thereby dropping the present SPD parliamentary leader, Herr Hans-Jochen Vogel.

Herr Rau's supporters had hoped the Gorbachev talks would help to confirm him as an international, as well as a local, statesman.

Instead, however, the SPD, to the delight of the Government, has become bogged down in a fight over recommendations, made in a defence strategy paper drawn up last week by an influential working group, which include cutting down national service from 18 to seven or eight months and which also envisage the withdrawal of most U.S. troops from the country.

Details of the document were leaked to journalists at the weekend, just days after the party's treasurer resigned after losing an argument with Herr Vogel. He gave a warning that the party was facing a serious financial crisis.

The working group, headed by Dr Andreas von Bülow, a former SPD minister, is understood to have forwarded its recommendations to the party's security commission, which would then decide whether to debate them at its 1986 party congress, where final election policy will be decided.

The paper calls for an effective "nationalisation" of West German defence, with a number of references to Swiss and Swedish practice. In addition to criticism of the danger of nuclear weapons in East and West Europe, it calls for the current strategy of striking at East bloc airfields the moment after any hostilities break out to be dropped and replaced by blanket air defence.

It urges that the use of tanks as a strike force should be dropped in favour of a system of anti-tank defences. Such a defensive system would be "reserve-friendly," meaning that difficulties the Bundeswehr has with a falling West German birth rate could be overcome by the use of reserve militia and that the Bundeswehr could cut its numbers.

The argument is that those and other measures would soften the threatening posture of Western defence systems and, therefore, persuade the Soviet Union to pull its troops out of Eastern Europe.

That should happen, the paper said, by the turn of the century at the latest, when it would also be possible to begin a step-by-step withdrawal of U.S. forces from West Germany, but for a token presence in, for instance, West Berlin. Only a handful of nuclear weapons would be retained, under that scheme, on West German soil.

Herr Horst Ehmke, the SPD's deputy parliamentary leader embarrassed by the leaking of the document and obviously angry that it had been drawn up at all, moved quickly to dampen speculation that the suggestions were being taken seriously. The party's security commission was looking at many suggestions before deciding what to put before the 1986 congress, he said.

Government officials, however, have been making the most of the leak, accusing the paper's authors of near treason.

Herr Rau may also be embarrassed by the document should Soviet delegates bring it up in conversation with him. He is known to have supported former Chancellor Helmut Schmidt's tacit approval of the stationing of U.S. medium-range nuclear missiles in Western Europe.

Indonesians put their trust in ancient medicinal potions

BY KIERAN COOKE IN JAKARTA

LAURA PECCORA travelled half-way round the world to have her face covered in cucumber paste. She then had a steam bath in seaweed extract and drank a tumbler of juice from the root of Borneo's pasak bumi tree. Looking a little greenish round the gills but otherwise in fine fettle, she pronounced the whole exercise "fabuloso."

Laura is one of a growing number of foreigners who are indulging in the ancient Indonesian medicinal art and cosmetic care of jamu, a treatment with a seemingly never-ending list of remedies and opiates for every conceivable ailment, including some for problems perhaps you never knew existed.

Take, for instance, the popular "Simona" brand of face cream, made from a mixture of leaves and flower extract. It protects "from every atmospheric influence." Blue Cinnamon brand tonic, presumably made from Christmas cake topping, "protects the hair from falling off."

Then there is the special "sawanan" herbal drink for those with ulcers in the head. Or "Obat Kuping," a medicine useful in confessionals and other secretive venues, "for those wishing to diminish badly smelling ears." Jamu has been used in Indonesia, particularly in Java, for centuries. Mrs Mooryati Soedibyo, who owns the Mustika Ratu Jamu company, manufactures a wide range of medicines, drinks and cosmetics and says she learnt the secret of jamu preparation in the palace in the city of Solo, the acknowledged heart of Javanese culture.

A member of one of Java's aristocratic families, Mrs Mooryati says jamu is part of the island's animist culture. Often a spirit priest will be called in to conjure up the correct remedy ingredients for a certain illness.

The right potion has often been found by observing animal behaviour, she says: after receiving a snake bite, a monkey will look for certain vegetation to neutralise the snake's poison. The immaculately groomed Mrs Mooryati runs a special jamu workshop in Jakarta, giving lessons and advice to Indonesians and foreigners who come flocking for remedies for everything from indigestion to labour pains, from wrinkles to corns.

Well over 1bn packets of jamu are produced commercially every year, with a total value of more than $400m. Six big companies control the bulk of the jamu business, although there are more than 240 other small companies spread throughout Java. They cater to the needs of an estimated 45 per cent of Indonesia's 160m people who take jamu regularly in one form or another.

Jamu seems to be growing in popularity on the domestic market: according to government statistics, total production expanded by 43 per cent last year.

Mr Jaya Suprana runs the Jamu Djago company, one of Indonesia's biggest such concerns, from Semarang on the north coast of central Java. His factory employs 2,000 girls and turns out an average of 10m packets of jamu a month, plus a wide range of jamu pills, lotions, soaps and cosmetics.

Although most of the output goes to the home market, there is increasing interest abroad, not only in Malaysia and Singapore but also in the Netherlands, France, Italy and the U.S.

Mr Suprana describes jamu as a preventative rather than a strictly curative medicine. "Western medicine is like a war. You bomb your enemy but maybe the innocent will die as well. Jamu is more diplomatic – there are no side effects."

Their prescriptions suggest that what many jamu are all about is harmony. No 105, for instance, promotes "the intimate relationship between husband and wife, like the just married" and No 123 "promotes masculinity and to attain satiety in home life." The description goes on to say this particular jamu is forbidden for those with hypertension.

There are special jamu-terias in every city, town and village where advice on jamu can be sought. Jamu is also sold by thousands of beautifully coiffed ladies who walk the streets every morning and evening, selling their home-made remedies from old Johnnie Walker whisky bottles.

One cut costs about $1.50 with honey and the yolk of an egg extra. Perhaps jamu No 102 is the one for me, "promoting good tempers easily and minimising big stomachs," but also making me "clean, radiant and blushing."

Farm banks set to make $350m loss

By Nancy Dunne in Washington

THE U.S. Farm Credit System will have a net operating loss for 1985 of $350m to $400m (£260m), according to projections released by the Farm Credit Banks Funding Corporation, which sell bonds to raise funds for the troubled system.

The once mighty system has had loan losses before, but this is the first time since the 1930s that it expects to lose more than it is taking in.

In 1985 the system is making provision for $850-$900m in loan losses, bringing its total allowance for loan losses to more than $1bn, the officials said.

The network of 37 farming banks in the system makes loans to local associations for land purchases, operating expenses and farmer co-operatives. It is estimated to hold about $74bn of the nation's $212bn farm debt.

Officials also revealed that of the $50bn in loans made through the system's land bank associations about $6bn are no longer fully collateralised as a result of plummeting land values, resulting in a shortfall of about $930m.

Other System officials, called to Des Moines, Iowa, Friday to testify before a Senate sub-committee, urged quick Federal action to rescue the faltering fund banks. However, the Reagan Administration appears unwilling to institute a major bale-out soon.

Mr John Harling, president of the Omaha Farm Credit Bank, warns that if Government aid is not forthcoming quickly, more farms will be liquidated, placing the co-operative, farmer-owned system in still bigger jeopardy.

However, Mr Larry Speakes, the President's spokesman, said on Friday that "it is our view that there are sufficient resources within the Farm Credit System in order to take care of this problem."

In Des Moines, Mr Donald Wilkinson, governor of the Farm Credit Administration, the System's regulator, said last year's loan losses of $407m are expected to more than double in 1985. As a result of the losses, the System has had to increase its interest rates, driving away the more creditworthy farmers and placing unsustainable burdens on those borrowers with variable interest rate loans.

While several of the farm state legislators attending the Des Moines meeting said they would push for a Federal rescue, one Iowa Congressman, Mr Jim Leach, said bond holders should be asked to help "pick up the tabs."

Chinese party shake-up nears completion

BY ROBERT THOMSON IN PEKING

THE AMBITIOUS plans of the Chinese leader, Deng Xiaoping, to overhaul the geriatric-ridden Communist Party leadership and to ensure that his modernisation drive is not compromised by faction-fighting are fast reaching a climax.

For Mr Deng, who has just turned 81, the aim has been to pack the party and provincial leadership with sympathetic and pragmatic officials, generally young and well-educated, and chart a course for China well into the next century.

His success will be measured at a crucial party conference to be held in the coming weeks.

Yesterday, the Chinese news agency, Xinhua, announced that a leadership shake-up in the provinces was complete. Some 26 changes of party and government chiefs have been made since April last year. Most of the appointees have been confined as followers of the Deng line.

The report quoted the Communist Party central committee's organisation department as saying the reshuffle had been "a big step forward."

Xinhua also announced that 1,000 young officials have been "short-listed" for senior posts, and another 100,000 are in line for provincial appointments. The selection of these candidates is part of Mr Deng's attempt to earmark not only the next generation of leaders but also the generation after that.

On Friday, the National People's Congress announced that five senior ministers, all over 65, had been replaced by younger and better-educated officials. That brings to 13 the number of ministers replaced in the past three months in what the Government calls its drive to make cadres "more revolutionary, younger in average age, better educated and more professionally competent."

The policy also fits in with Mr Deng's aim of easing out the leadership's elderly ideologues, some of whom are known to oppose the present policy of economic pragmatism.

The leadership renovation will reach a climax in the next week or so at the special conference of the Communist Party when Mr Deng and his reformist friends will do their best to fill the bodies at the core of power—the central committee, the politburo and the politburo standing committee—with supporters of their pragmatic line.

True to form, the Government has made no announcement as to the actual starting date of the important conference, other than to say that it will be held in mid-September. The conference will approve the next five-year plan.

Palestinians flee camp clashes

BY NORA BOUSTANY IN BEIRUT

PALESTINIAN civilians fled the refugee camp of Bourj Barajneh in droves yesterday as Shi'ite gunners pounding the plied tanks for the sixth ninety-town with Syrian-supported consecutive day.

Despite a morning lull, Shi'ite Moslem-manned T-54 tanks went into action in the afternoon setting off another round of fighting around Bourj Barajneh, which lies east of the road leading to Beirut Airport.

Officials of the Shi'ite Amal movement admitted that Palestinian residents had been massacred in their homes on Friday afternoon. A member of Amal's politburo said an irate Shi'ite, enraged by his brother's death the day before, had gone on a revenge killing spree.

The Marxist-oriented Democratic Front for the Liberation of Palestine charged that at least 22 Palestinian civilians had been killed in this way. Residents of the Haret Hraik neighbourhood, where the carnage took place, could only confirm eight deaths, however. Mr Ghassan Seblani, Amal politburo member, said seven to 14 Palestinians had been killed.

Mr Selim Hoss, Lebanon's Education Minister, returned home from Damascus yesterday where he had urged Syrian leaders to send Syrian troops to end uncontrollable lawlessness and street fighting in the Moslem half of Beirut. The plea for a return of Syrian soldiers was issued Saturday night by Mr Rashid Karami, Lebanon's Sunni Moslem Prime Minister, following a meeting with three other key Moslem officials. President Amin Gemayel has been on an official visit to West Germany and is due back shortly.

The Shi'ite siege of Bourj Barajneh has left some 40 people dead and 150 wounded over the past week and it is feared it will drag on in view of the strong fortifications inside the camp and Amal's determination to crush any resurgence of guerrilla power in its midst.

Mr Karami's request for a Syrian military presence in Beirut capped several weeks of worsening security conditions despite a Damascus-orchestrated security plan which went into effect last July.

Security alert on West Bank

ISRAELI paratroopers yesterday joined the normal border police and army reservists in patrolling the occupied West Bank, Walter Ellis reports from Tel Aviv. This follows a marked upsurge in violence against Jews in the area, directed, according to the Israeli Government, by the Palestine Liberation Organisation.

Paratroopers — considered among the elite of the armed forces in Israel—have not previously been involved in peace-keeping duties and their use is a reflection of how seriously the Government in Jerusalem views the situation.

Arabs in the occupied territories, including the Gaza Strip, have been warned that failure to carry identity cards could result in their arrest. Demonstrations, by Jews as well as Arabs, have been banned.

Yugoslavia agrees debt plan terms

By Peter Montagnon, Euromarkets Correspondent

YUGOSLAVIA HAS agreed to accept terms proposed by its main commercial bank creditors for a rescheduling of $3.5bn (£2.6bn) in debt falling due between 1985 and 1988.

Written confirmation of its acceptance is due to be conveyed today to Manufacturers Hanover in New York, which has acted as chairman of the banks' negotiating committee. This will allow the full proposals to be sent out to more than 400 creditor banks later this week for their approval.

Yugoslavia's acceptance of the deal puts an end to several months of difficult negotiations which were suspended temporarily in the spring after a row over the interest to be charged by the banks.

Bankers in New York said work would now commence on detailed legal documentation of the rescheduling contract as well as on the lengthy administrative process of reconciling records of loans on the books of lenders with those of Yugoslav borrowers.

The deal should now be ready for signing in early November and could become effective in January.

Under the proposals Yugoslavia is to pay a margin of 1¼ per cent over eurocurrency rates for the rescheduled debt.

Militant Sikhs plan to block state elections

By John Elliott in Amritsar

MILITANT SIKHS plan to tour hundreds of villages in the northern Indian state of Punjab this week in to try to persuade local people to stop candidates and party workers entering their areas in the state's election campaign.

Yesterday the extremist Sikh party, the United Akali Dal, finalised plans for this attempt to block the election at an open air conference attended by about 5,000 activists in Amritsar's Golden Temple.

But the militants may face apathy or even hostility from local villagers. Sikhs across Punjab appear to be tired of the violence of the past two years. Most want to have an elected state government and enough political stability to stop the terrorist activity and to allow them to live peacefully alongside the country's majority Hindus.

There is therefore, no sign of popular support for the extremists. But security forces are nevertheless worried about between 100 and 200 hard line terrorists

There is a widespread belief that election of the Sikh's main Akali Dal (L) party to office in the state assembly would bring more chance of stability than if India's ruling Congress (I) won.

Afghan rebels prepare for offensive

PESHAWAR, Pakistan – Guerrilla reinforcements were alleged to be massing in eastern Afghanistan yesterday for a second counter-offensive against Soviet troops pounding Moslem insurgents near the border.

Rebel sources said that a prominent guerrilla leader headed the reinforcements who were marching towards Khost. Rebels reported by radio that they were suffering heavy casualties from the largest and bloodiest Soviet operation this year.

Soviet troops fighting around Khost, a garrison town on a frontier plain often used by rebel infiltrators, may soon be joined by other Russians retreating from a guerrilla counter-offensive last week around Jaji further north in Afghanistan's Paktia province, the rebels said.

The main aim in Khost for the Soviet troops, estimated at 15,000 by Western diplomats, was to build what Afghan President Babrak Karmal last month called an impregnable barrier against Pakistani-based rebels. The rebels say this is impossible.

Reuter

Brazil car manufacturers increase domestic sales

BY ANNE CHARTERS IN SAO PAULO

BRAZILIAN CAR manufacturers sold 76,618 vehicles in Brazil last month—the highest monthly sales figure for the last nine years.

Sr Andre Beer, president of the National Vehicle Manufacturers Association (Anfavea) said the industry may have reached a peak in domestic sales level of more than 75,000 units a month.

If the trend continues to the end of the year, the industry can expect a 10 per cent growth in sales, rather than the 5 per cent projected earlier.

Brazilian consumers find a new car purchase attractive these days because prices have increased less than for other consumer goods. Association figures show the average passenger car price since the beginning of the year has lagged behind the rise in the consumer price index by nearly 16 percentage points.

Pent up demand from previous months when dealers stocks were low may be responsible for sales as well.

Vehicle exports continue to be strong, although they have not followed the spectacular performance of domestic sales. In value terms, exports grew 9.5 per cent to $980m for the first eight months of the year, compared with the same period of 1984.

In unit terms, however, light and heavy commercial vehicles and trucks showed good performances with increases of 8.4 per cent and 15 per cent respectively. Passenger cars were down 3.4 per cent.

With prospects of continuing strong performance in the domestic market, Volkswagen and General Motors have hired more employees. Volkswagen is now operating three shifts. Nonetheless, companies are still cautious over whether this trend will continue.

Canada rejects offer to take part in Star Wars

BY BERNARD SIMON IN TORONTO

CANADA HAS turned down President Reagan's offer to participate officially in research for the Strategic Defence Initiative SDI space-based weapons programme, but will provide normal government tax incentives and grants to Canadian companies receiving Star Wars contracts.

Prime Minister Brian Mulroney said over the weekend that Canada's own policies and priorities "do not warrant a government to government effort in support of SDI research." On the other hand, the Government in Ottawa continues to support the Star Wars concept as a 'prudent' response to Soviet advances in the ballistic missile field, he said.

Ottawa's caution stems from concern that Canada would have little influence over the Star Wars project at a time when the Conservative Government already faces criticism of its co-operation with Washington in defence and other spheres.

Mr Mulroney is expected later this month to endorse politically sensitive negotiations to liberalise trade between the two countries. The Prime Minister said that "our national commitment is to the welfare of Canada and the conduct of foreign policy will always be in the interests of Canada."

Several Canadian companies hope to participate in the Star Wars programme. They fear their chances of winning contracts will be diminished by the Government's stance, bearing in mind the sensitive nature of much of the information on Star Wars.

● Israel has compiled hundreds of research and development proposals for consideration in the U.S. space-based Star Wars defence programme and has submitted some of them to Washington, Reuter reports from Tel Aviv.

Uruguay to get World Bank refinancing loan

By Our Euromarkets Correspondent

URUGUAY is to receive a rare $45m (£33m) World Bank co-financing loan from its commercial bank creditors as part of a new plan to reschedule $2bn in debt falling due between now and the end of 1989.

The loan and the rescheduling were agreed in principle on Friday at a meeting in New York between Sr Ricardo Zerbino, Finance Minister, and a group of leading creditor banks chaired by Citibank.

The new loan in which the World Bank would participate alongside commercial lenders will go to finance energy projects in Uruguay.

It follows a pattern of closer involvement by the World Bank in debt relief exercises already set with co-financing loans for Columbia and Chile. Bankers say World Bank participation is needed to encourage the increasing numbers of banks reluctant to lend on their own.

Citibank said on Friday night that terms for the rescheduling have still to be negotiated but it is to run for 12 years up till the end of 1986 and repayments will begin in 1988.

Uruguay is understood recently to have agreed details of a new economic programme with the International Monetary Fund.

Bargemen block Seine in protest

By Paul Betts in Paris

THE RIVER Seine was blocked near Paris by about 100 barges yesterday as French bargemen increased their protest against the Government and their current economic difficulties.

Traffic on French waterways, especially the Seine and the River Oise, has been disrupted in past weeks by frustrated bargemen who have organised a number of blockades to put pressure on the Government to come to their financial and economic support.

The owners and operators of France's 2,500 commercial barges complain that they have had no freight to transport during the summer and that what business does exist tends to be seized by the French national railways. They accuse the SNCF, the national railway company, of offering cut-price rates for freight at a time of depressed business activity.

Another problem for the bargenmen hasbeen the delay in this year's grain harvest in France since cereals account these days for the bulk of the freight business for barges.

After talks on Saturday with the French Transport Ministry failed to satisfy their demands for better fiscal treatment and a greater share of freight, the bargemen decided to intensify their protest.

Western oil consumption falls 3.5%, says energy agency

BY MAURICE SAMUELSON

WESTERN industrialised countries used 3.5 per cent less oil in the second quarter this year compared with the same period a year ago, according to the monthly oil report of the International Energy Agency, out today.

The Paris-based agency, consisting of all members of the Organisation of Economic Co-operation and Development other than France, expects the trend to continue in the third quarter, with consumption staying at about 3 per cent below the level of the same period last year.

Since last April, oil supplies to the non-Communist world have been running at an estimated 44.2m barrels a day.

The agency also expects a fall of 400,000 barrels a day in the output of members of the Organisation of Petroleum Exporting Countries from the second to the third quarter of the year, when it will reach 14.6m barrels a day.

At the same time, stocks of oil stored in the OECD area were estimated to have been raised by about 100,000 b/d in the second and third quarters of 1985, with government-held stocks rising by 200,000 b/d in the same period.

Nearly half the fall in European consumption is accounted for by the ending of the UK miners' strike which boosted fuel oil demand by 400,000 b/d in the third quarter of last year.

Had it not been for the miners' strike, this year's oil consumption by OECD states would have been about 2.5 per cent below the same period last year.

Next year, the IE agency projections—based on an assumed OECD economic growth of 2.75 per cent—envisage virtually no change in OECD oil consumption compared with 1985.

Opec countries are estimated to have produced about 14m b/d in June, 14.4m b/d in July and 14.6m b/d in August. Although Saudi Arabia's crude production rose from 2.3m b/d in June to 2.6m b/d in July, it declined in August to 2.2m b/d.

Most of the higher Opec crude production since June was accounted for by higher output from Indonesia and from Nigeria.

In September, Iraq is expected to produce more oil to fill the new pipeline spur from its southern oilfields to the Saudi East-West pipeline, built because of the Gulf war with Iran.

Among non-Opec oil countries, those which belong to the OECD, including the U.S., UK and Mexico, are expected to produce 17.1m b/d in the third quarter compared with 16.9m b/d in the second quarter.

Eastern Europe and other Communist states are estimated to raise their net oil exports by 200,000 b/d to 1.8m b/d between the second and third quarters.

Denktash offer

Turkish-Cypriot leader Mr Rauf Denktash said yesterday he was ready for a new summit meeting with Mr Spyros Kyprianou, the Greek-Cypriot leader, without preconditions to seek a solution to the Cyprus problem, Reuter reports from Nicosia.

Sellafield safeguards face Strasbourg test

BY PAUL CHEESERIGHT IN BRUSSELS

BRITISH Nuclear Fuels' key corporate aim of maintaining public acceptance for its operations runs into a severe test today when the European Parliament in Strasbourg votes on a motion which calls for the temporary closing of its Sellafield plant.

The motion is sponsored by Frau Undine-Uta Bloch von Blottnitz, a member of the West German Green party elected last year and a longstanding campaigner against nuclear plants. Her report on the incidence of cancer in the vicinity of Sellafield and the motion which springs from it passed through the Parliament's environment committee on a 19-3 vote.

She is calling for liquid discharges of radioactivity from Sellafield to be reduced to zero. Frau von Blottnitz also wants a ban on the transport of spent nuclear fuel elements to Sellafield until the discharges can be reduced to zero. The British Government should consider closing the plant until it can be shown that members of the public are safe.

Sellafield is the biggest plant for the reprocessing of spent nuclear fuel in Europe. Controversy about its activities reached fever pitch in November 1983 when it was disclosed that there had been an accidental discharge of radioactive waste into the Irish Sea.

This led to a tightening of waste disposal procedures at the plant and, last July, a fine for BNFL at the Carlisle Crown Court of £10,000.

At one level, the Strasbourg debate is of no consequence. There is nothing in the European Community treaties which gives Parliament, if it accepts unchanged Frau von Blottnitz's motion, the power to close Sellafield.

However, members of the Parliament, BNFL and the European Commission are aware that the debate would have serious repercussions.

A majority of MEPs can accept nuclear power as a component of national electricity generation programmes. But what they cannot be seen to be doing is voting in favour of radioactivity.

Among the centre and right parties in the Parliament there is an additional fear. The Greens pick on Sellafield now, their members note, but where will they turn their attention next? They are likely therefore to seek to tone down the von Blottnitz motion so they can vote for it without running the gauntlet of environmental wrath.

The Socialists, on the other hand, are worried about the jobs question. It is difficult for them to be seen to be wanting to close down a plant employing 10,000 people in an area without other visible means of support.

Mr Harold Bolter, BNFL's director of corporate affairs, told a London conference last week that maintaining public acceptance was the most important objective of the BNFL corporate plan.

And BNFL executives argue that it would be short-sighted to dismiss the European Parliament as of no account. It has influence even though that influence might be indirect.

Certainly the European Commission treats it with respect, and is therefore forced to respond to the von Blottnitz motion. The indications are that it will not accept the motion as it stands, but that Mr Stanley Clinton Davis, the commissioner for the environment, will say there is reason to be critical of BNFL.

The problem is that the chief protagonists—Frau von Blottnitz and her supporters versus BNFL—do not agree on the facts. One side cites evidence to say that cancer levels in the Cumbria area are abnormally high. The other cites evidence to say that it is not.

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WORLD TRADE NEWS

Nigeria's slow debt repayments worry trade creditors

BY PATTI WALDMEIR IN LAGOS

NIGERIA's trade creditors, who hold several billion dollars in overdue trade debt dating from as far back as 1977, are becoming increasingly worried at the slow pace at which the Central Bank of Nigeria is approving such debts for repayment.

Delays in approving creditors' claims are undermining confidence in Nigeria as a reliable trading partner. At the same time, the country has fallen seriously behind in payments for current imports (bankers say delays now average between 90 and 120 days), with the result that some international banks are suspending or reducing lines for Nigerian trade.

After over a year of attempting to reconcile creditors' claims with submissions from importers and the records of commercial banks and the Central Bank, creditors have recently received status report on their claims shows that in many cases up to 70 per cent of claims have been rejected as unreconciled. Sir Geoffrey Howe, the British Foreign Secretary, is expected to raise the issue during a visit to Nigeria this week.

In the 17 months since Nigeria and the creditors agreed the refinancing of uninsured arrears in April 1984, only some $800m (£603m) in six-year promissory notes have been issued to cover such debts, with a further $292m in insured debts approved for repayment (no rescheduling agreement is yet in place for insured debts, so no notes have yet been issued).

The new military government in Nigeria has set up a committee to review some $2bn in counter trade deals agreed in principle or signed before the August 27 coup. Importers holding import licences issued under a $500m swap deal with France or a $200m deal with Austria have been instructed to return their licences to the Commerce Ministry.

The Central Bank constantly stresses its intention to honour all such debts which can be proven to be legitimate, and Central Bank governor Alhaji A. Ahmed, told the Financial Times last week that another issue of over $100m in notes could be expected later this month or early next. He indicated that the current prolonged reconciliation exercise was aimed at weeding out duplicates and false claims, adding that he had ample evidence of forged documents.

The Central Bank's rough estimates of legitimate uninsured and insured trade debts is $5.3bn, well below bankers' estimates which put total such debts at up to $7bn.

Competition hots up for Jumbo jet engine orders

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

LAST WEEK'S report that Rolls-Royce had lost to Pratt & Whitney in a fight to win the order for engines for a third Boeing 747 Jumbo jet for Malaysian Airlines has highlighted the increasingly fierce competition for such orders world-wide.

With two earlier Malaysian 747s using Rolls-Royce RB-211-524 engines, the UK company had every hope of winning the deal for the third aircraft, but was pipped on the post by Pratt & Whitney.

The world aero-engine market today is characterised by a complex pattern of both competition and collaboration, aimed at winning shares of an estimated $57bn (£43bn) of commercial jet airliner engine business between now and the end of this decade.

The reason for such fierce competition to win even the engine order in one Jumbo jet is not only that a lot of money is involved—about $40m including spares for the four engines per aircraft—but also that there are only a few such orders available.

There are only two long-range, wide-bodied jet airliners now available—the Boeing 747 and the McDonnell Douglas DC-10 (the long-range models of the European Airbus are not in the same category).

So far this year, Boeing has sold only nine 747s (bringing total orders to 650, of which 619 have been delivered), while McDonnell Douglas has sold three DC-10s (bringing total orders to 437, of which 402 has been delivered).

Low sales

While the re-equipment tide among the airlines is running strongly for the smaller short-to-medium haul jets, such as the Boeing 737 and McDonnell Douglas MD-80 series, where traffic growth is at its greatest, it is flowing very slowly for the bigger aircraft, reflected in the low sales and low production rates of such jets.

This inturn is because al traffic is rising world-wide, airline finances are not keeping pace, and the big 747s and DC-10s are expensive. A Jumbo jet costs up to $110m to buy, and at current interest rates, over at ten-year period, an airline has, ineffect, to pay over $200m for the provilige of buying and flying such monsters, in spite of the enormous work capacity and revenue they can generate.

The airlines are thus only buying the bigger wide-bodied jets in small numbers, to top up their fleets, as traffic growth dictates, or to replace existing ageing aircraft.

Only occassionally will an airline enter the market with a big order for large jets — the norm now is for orders to come in ones or twos at a time, and even such deals can involve an airline in outlays of over $200m to $300m.

This means that all the "big three" engine builders—Rolls-Royce, and General Electric and Pratt & Whitney of the U.S.—all of whom are offering engines of over 50,000 lbs thrust for the 747 and DC-10, have to fight fiercely for every order, with highly competitive prices and aggressive marketeering.

At one time, once an airline had settled on an engine type for its fleet, it tended to stay with that engine for subsequent purchases of the same aircraft.

This is no longer so, because the inducements rival manufacturers offer often make it worth the airlines' while to change their allegiances.

What matters is not only initial price and availability of finances, but also the quality of in-service reliability, fuel economy over the life of the engine, and efficient after-sales in-service support.

In such a fierce market, Rolls-Royce has done well. It won all the engine orders for the Lockheed TriStar, with its initial RB-211, and although that airliner is now out of production, it is still flying in quantity, generating substantial business in engine spares

Rolls-Royce has no part of the current McDonnell Douglas DC-10, which is left to GE and Pratt & Whitney, but it is very much in the battle for engine orders for the 747, where it has done better than many people may realise.

Out of the 650 747s ordered to date, Rolls-Royce has won the engine deals on 81 aircraft, of which 40 have been delivered. This is good, especially when it is remembered that the RB-211-524 version of the engine was not certificated until 1977, by which time Boeing had already sold world-wide 324 aircraft, all with either GE or Pratt & Whitney power plants.

To have won one-fifth of the subsequent 747 sales is highly creditable, and the UK company is building on this record. The latest available version of the 747, the Series 300 Stretched Upper Deck (SUD) model, has so far sold 52 aircraft, of which 16, or close to one-third, have Rolls-Royce RB-211-524 engines.

Some time ago, it devised what it calls the "upgrade" model of the RB-211-524D4 engine, to give improved fuel economy, and this has already had some success in world markets.

Earlier this year, Rolls-Royce went further, announcing two new variants of the RB-211-524D4—the D4C and D4D models, which will lift the thrust of the engine from the current 53,000 lbs to 54,500 lbs and then to 56,000 lbs respectively, entering service in early 1987 and 1988, giving further progressive improvements in fuel consumption.

These engines will be available as complete units in their own right to new customers, but for existing customers who also want to get the benefit of the improvements, Rolls-Royce will be offering modification kits, to enable the existing earlier engines to be updated as they come in for normal maintenance.

Older engines

This will save those existing customer airlines substantial sums of cash, by obviating the need for them to trade in older engines for the improved versions.

Rolls-Royce will also be bidding with the RB-211 524 improved engines in competition with GE and Pratt & Whitney for the power-plant deals for any airlines buying the latest version of the 747, the Series 400, now on offer from Boeing but awaiting launch customers.

This will be a heavier 747, with the same stretched upper deck as the Series 300, but with considerably greater range (over 7,000 nautical miles), making far longer non-stop journeys possible, such as Tokyo to London, or Singapore to London westbound against prevailing headwinds.

Rolls-Royce will also have a stake in any high-thrust engines that GE might sell in these bigger new 747s, for under an agreement with GE, it undertakes some work on that company's CF6-80C2, in return for GE having a share on Rolls-Royce's smaller version of the RB-211, the 535E4 model used in the short-to-medium range Boeing 757 twin-engined airliner.

Rolls-Royce is also keeping a close watch on the forthcoming McDonnell Douglas MD-11 tri-jet airliner, intended as a replacement for the DC-10 on medium to long ranges, as a rival to the 747.

Although it has never yet powered the DC-10, it believes that with its latest versions of the RB-211-524D4 it stands a good chance of winning orders on the MD-11.

Developing nations remain divided on MFA renewal

BY STEVEN B. BUTLER IN SEOUL

A MEETING of 24 developing nations that export textiles adjourned in Seoul on Saturday after adopting a communique calling for further liberalisation of world trade in textiles and clothing.

The ambiguities of the communique, however, evidently hide continued disagreement among the participants over how strong a line to adopt in their opposition to a renewal of the Multi-Fibre Arrangement (MFA), which is due to expire in July 1986. The MFA governs most of the world's trade in textiles.

The communique fell far short of the unified position that was called for at the start of the five-day meeting. Consultations on the future of the world's textile trade are expected to begin soon in Geneva and participants had hoped to formulate a negotiating position in Seoul.

Delegates were reluctant to discuss their differences, but one participant called the negotiations on the final communique "painful." Some of the larger exporters such as Korea and Hong Kong have softened their opposition to a renewal of the MFA recently, apparently recognising that the EEC and the U.S. will insist on a renewal in some form. The MFA also serves to preserve market shares for some of the larger exporters, which are vulnerable to competition from cheaper products manufactured in less developed nations.

The long shadow of the Jenkins Bill in the U.S. hung over the meeting. If adopted, the Bill would force many participants in the meeting to cut back sharply their exports to the U.S. "The main thing with respect to the U.S. situation is to avoid any blanket negative statement that could be seized on by the textile lobby," said one delegate. "We have to appear reasonable."

"If the Jenkins Bill is adopted," said an observer to the meetings "the MFA would end the next day. It could also spell the end of Gatt."

The delegates agreed to meet again in China in the spring.

Matra wins second U.S. export order

By Paul Betts in Paris

MATRA, the French electronics and defence group, has followed up its success in winning a $100m (£75m) order to supply Chicago's O'Hare International airport with its automatic transport system called VAL with a second export order to the U.S.

The city of Jacksonville in Florida has asked the French state-controlled company to construct a 1 km long stretch of its VAL system. Matra said it expects to sign a contract with Jacksonville in the next two months. Matra said the deal is initially worth $12m, but is likely to be the first of a series of lines to be constructed later.

Matra has been trying to sell its unmanned automatic transport system in the U.S. and in other export markets for the past three years. The big breakthrough came at the end of last week when it won the contract to supply O'Hare International airport with a 5 km automatic transport system to link the airport's three terminals, the main car park and the car hire centre by early 1989. The deal was won in fierce competition against Westinghouse of the U.S.

The construction of the system will cost $101m and an additional $17m for maintenance.

At Jacksonville Matra eventually hopes to build an extensive automatic transport system using its VAL technology in the city similar to the system it has built at Lille in northern France. The city of Toulouse in south west France has also opted for a VAL underground system.

Matra is in advanced negotiations with Orlando in Florida to supply a VAL system connecting hotels with Disneyworld.

● Alsthom-Atlantique, the French engineering company, has won a Riyal 124m (£25m) contract to build a 48-MW power plant near Dubba in Saudi Arabia's north-western Tabuk region, Reuter reports from Riyadh.

The turnkey project, for construction of three oil-burning gas turbines as well as civil works and infrastructure, is expected to be completed within 24 months.

● France has signed an agreement to supply China with an electronic component research centre, Reuter reports from Paris.

The agreement follows the award to Alcatel-Thomson, a subsidiary of state-owned Cie Generale d'Electricite (CGE), of a FFr 500m (£42m) contract in January to supply 100,000 lines for the city of Peking.

Spain to build oil refinery in China

Spanish Prime Minister Felipe Gonzalez, on a visit to China, said Spain had concluded an understanding to building an oil refinery worth $350m (£249m) in China's south-western Fujian Province, Reuter reports from Peking.

The turnkey project, to be mainly constructed by Tecnicas Centunion, will be 40 per cent backed by Spanish government soft-loans, from its Aid Fund for Development, Sr Luis Velasco, Spanish State Secretary for Trade, told reporters. It will be the third largest refinery in China.

SHIPPING REPORT

Undisturbed week sees tanker market steady

BY FINANCIAL TIMES REPORTER

TANKER INQUIRIES continued at a reasonable level, with little political activity to disturb the market in the past week. Galbraith's said that rates for the small, 85,000-ton tanker, commonly known as the Sanko type, were rising following the financial difficulties of the Japanese shipping group. A Kuwait-Singapore charter for 75,000 tons of fuel oil went for Worldscale 65 while a 90,000 ton cargo of crude from the Arabian Gulf to Port Dickson was arranged at Worldscale 62.5.

The Middle East-Gulf area continued to be the main area of activity although owners' efforts to raise rates on the large sizes did not succeed. A 235,000 ton cargo to Japan was set at Worldscale 33.25. Activity in West Africa was down slightly, with Italian charterers obtaining a 77,000 ton cargo for Worldscale 62 and a 68,000 ton one for Worldscale 61.

Denholm Coates reports another disappointing week in the dry cargo markets, with no sign of further grain purchases by the Soviet Union.

In the sale and purchase market, the British flag products tanker, Scottish Lion of about 56,490 tons, built in 1979 in the UK, was sold to Greek interests for about $4.6m, over £1m lower than the price for which it was reported sold to China in July.

Taiwan shipbreakers remain relatively inactive, but so too are the shipbuilders. The tonnage of ship construction permits issued by the Japanese Ministry of Transport in August was 631,611 gross tons, 19.2 per cent higher than in July, but 36.2 per cent lower than in August, 1984.

World Economic Indicators

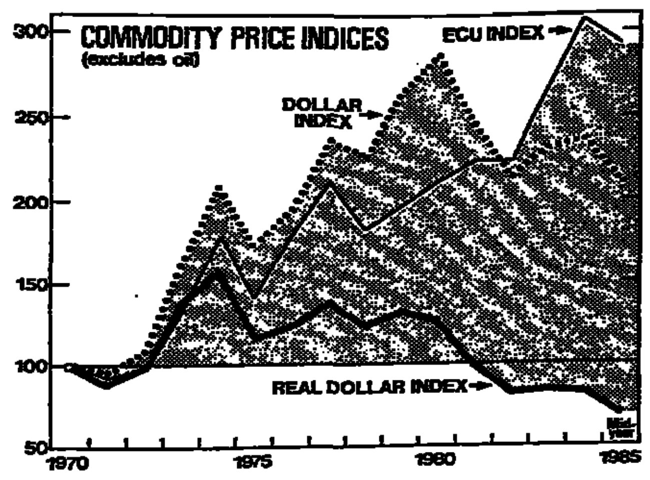
INDUSTRIAL PRODUCTION (1980 = 100)

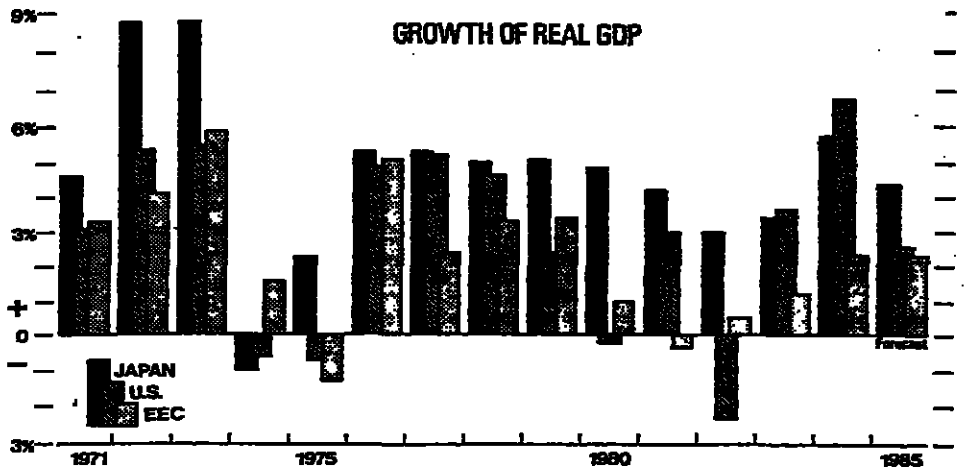
					% change over previous year
	June 85	May 85	April 85	June 84	
U.S.*	124.6	124.4	124.3	122.3	+1.9
UK	107.6	108.2	107.6	102.8	+4.7
	May 85	April 85	March 85	May 84	
W. Germany	103.2	102.6	101.7	96.8	+6.6
France	100.6	100.2	101.7	100.1	+0.5
Italy	96.8	95.7	98.5	95.2	+1.7
Japan	124.8	121.9	118.6	116.0	+7.6
	March 85	February 85	January 85	March 84	
Netherlands	106.3	106.2	109.1	102.8	+3.4
Belgium	107.6	103.4	100.8	102.4	+5.1

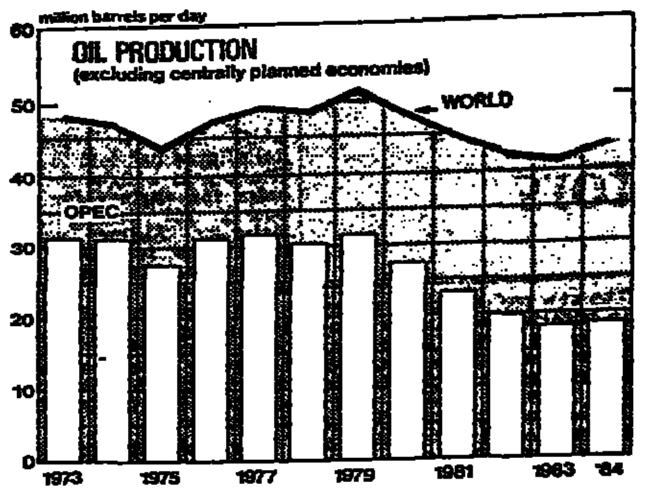
* 1977 = 100

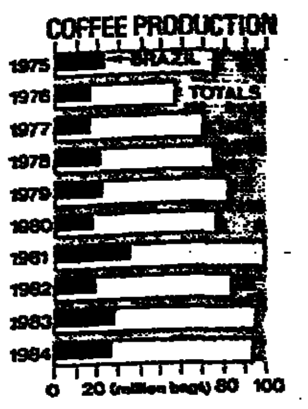
Source (except U.S., Japan): Eurostat

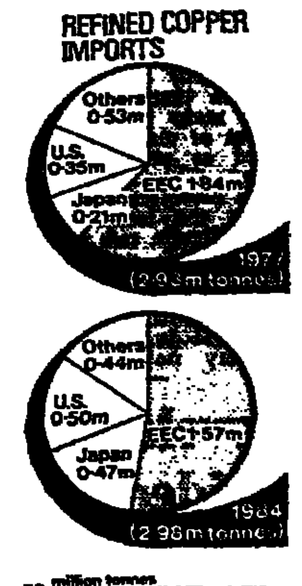
STATISTICAL TRENDS : COMMODITIES

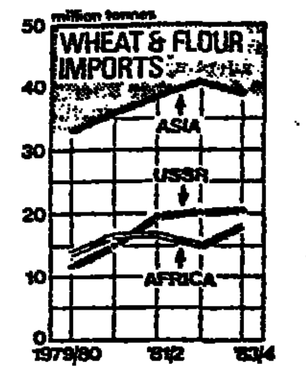












Production capacity outpaces world demand

COMMODITY prices in U.S. dollars have fallen by nearly 30 per cent since their peak in 1980. However, for European buyers of commodities prices are now 40 per cent higher than the 1980 average because of the dollar's strength although in the past 12 months commodity prices in terms of the European Currency Unit (ECU) have fallen by about 6 per cent.

Dollar-based prices rose slightly between 1982 and 1984 with the upturn in world economic growth which led to a run down of stocks of basic commodities used by industry and pushed consumption slightly ahead of production. As the world recovery slowed in 1984, prices fell back.

Demand has failed to grow in line with that experienced in previous recoveries so that productive capacity greatly exceeds demand.

Industries have become more efficient users of raw materials; technological changes have brought about switches from traditional base metals, and together with scientific developments they have boosted the output of agricultural crops. The weakening relationship between economic growth and demand for basic materials is demonstrated by the figures for steel consumption per unit of gross domestic product (GDP) which has declined to 60 per cent of its 1970 value.

One important feature affecting demand in the recent recovery (1983/84) compared with the previous recovery (1976/77) is the sluggish economic growth in Europe which imports about half of the total imports of primary commodities. In the 1976/77 recovery economic growth in Europe was broadly similar to that in the U.S., whereas in the 1983/84 recovery it was about one-third of that for the U.S.

In its latest World Economic Outlook the *International Monetary Fund has analysed* commodity price trends over the period of these two recoveries with the following results. The growth in industrial production for the seven major industrial countries when weighted by GNP showed similar rates of growth in both recoveries.

However, when weighted by commodity import shares (which give greater weight to the European countries) the rise in industrial production in the 1983/84 recovery was only 70 per cent of that in the 1976/77 recovery.

Looking at price trends since 1970, dollar prices have risen by about 100 per cent but have fallen 30 per cent in real terms. Copper prices reflect the average change having doubled over this period. Sugar prices have risen only by 25 per cent whereas coffee prices have increased by 400 per cent.

Coffee production has risen by 65 per cent since the 1976 trough of 56m bags to over 90m bags in 1983/84, with Brazil pushing its production up to an estimated 30m bags in 1984/85.

Wheat production has reached record levels of over 500m tonnes.

Among metals, production trends have looked dismal with copper production static and production of tin falling from 205,000 tonnes in 1981 to 163,000 tonnes in 1984.

The oil markets have also been in the doldrums.

Spot oil prices have fallen from the high of around $40 per barrel reached in 1979/80 to $27 per barrel. Four factors have combined to push them down. These are a fall in demand for energy, substitution of other fuels for oil, growth in non-Opec production and the strength of the U.S. dollar.

Production has fallen from 51.4m b/d to 43.2m b/d in 1984 with Opec production falling even more dramatically from 31m b/d to 18m b/d.

Most major debtors among the *developing* countries are still dependant on commodity exports, often on one commodity.

In 1984 Venezuela depended on oil for 90 per cent of its exports. Oil accounted for 70 per cent of Mexico's exports and 55 per cent of exports from Indonesia.

Chile has reduced its dependence on copper from 84 per cent of exports in 1966, but it still accounts for 43 per cent of exports.

Malaysia has a wide range of commodity exports. Although it has reduced substantially its dependence on rubber and tin, its dependence on oil has risen so that overall it has a greater dependence on these three commodities now than it did in 1966.

Claims at end 1984
BIS REPORTING BANKS

	$bn
ARGENTINA	26
BRAZIL	76
CHILE	14
MEXICO	73
VENEZUALA	26
INDONESIA	14
MALAYSIA	11
NIGERIA	8
COLUMBIA	7
· ·AILAND	7

Source: Morgan Guaranty

REQUIREMENT PER UNIT OF GDP (1973 = 100)

	1984
COPPER	80
TIN	60
	60

Source: The Economist

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Graphics Department.

PRICES (end year)

	Copper £/tonne	Sugar $/tonne	Coffee £/tonne	Cocoa £/tonne	Wheat $/bushel
1966	459	37	249	209	1.79
1967	590	65	339	280	1.71
1968	506	75	275	441	1.59
1969	690	74	338	341	1.49
1970	432	108	365	280	1.49
1971	411	176	350	187	1.68
1972	451	229	397	320	1.90
1973	868	314	483	641	3.81
1974	536	960	467	606	4.89
1975	580	340	807	715	4.06
1976	799	233	2,936	1,806	3.62
1977	633	248	1,642	1,595	2.81
1978	773	224	1,238	2,007	3.48
1979	1,002	406	1,560	1,463	4.36
1980	789	698	1,045	937	4.70
1981	878	343	1,123	1,164	4.76
1982	923	196	1,490	1,136	4.38
1983	982	224	1,829	1,972	4.28
1984	1,143	138	2,260	1,891	4.15
1985*	1,024	132	1,749	1,729	3.65

* Mid-year.

MAJOR DEBTORS

% of exports accounted for by a single commodity

		1966	1976	1984
Chile	Copper	84.3	59.9	43.4
Colombia	Coffee	66.8	56.0	52.0
Indonesia	Petroleum	30.0	70.2	53.0
Malaysia	Rubber	38.3	23.0	9.5
	Tin	20.6	11.3	3.0
	Palm oil	3.1	9.1	11.7
	Petroleum	2.7	13.0	22.5
Mexico	Petroleum	3.3	15.7	67.5
Nigeria	Petroleum	33.0	93.2	*88.2
	Cocoa	9.8	3.4	*2.4
Philippines	Sugar	18.1	16.8	5.1
	Coconut	33.9	19.9	13.3
Venezuela	Petroleum	82.3	94.2	91.4
Thailand	Rice	28.4	14.2	14.8
	Tapioca	4.6	12.4	9.5
	Rubber	13.2	8.7	7.4

* 1983.

EXPORTS OF WHEAT AND FLOUR

million tonnes

	1979-80	1980-81	1981-82	1982-83	1983-84
Australia	15.4	11.1	11.4	8.5	11.5
N. America	52	59	62	60	59
EEC	10.3	12.7	14.0	14.1	15.0

Source: International Wheat Council

WHEAT PRODUCTION

million tonnes

	1980	1981	1982	1983	1984
World	445	453	482	496	509
EEC	55	54	60	59	75
USSR	98	80	85	80	78
N America	87	104	107	97	95
Asia	129	141	150	169	172

Source: International Wheat Council

COMMODITY PRICES AND INDUSTRIAL PRODUCTION

	72-77 Price Cycle Incrse	72-77 Price Cycle Decrse	72-77 Price Cycle Recvry	78-84 Price Cycle Incrse	78-84 Price Cycle Decrse	78-84 Price Cycle Recvry
Periods of Cycles	72-74	74-75	76-77	78-80	81-82	83-84
Length in quartrs	10	6	8	9	8	6
	(Percentage changes)					
Cmdty prices in US$	131	−26	50	31	−28	17
Ind prodtn wghtdby GNP	19	−12	14	11	−9	14
Cmdy Imprt shares	19	−12	13	13	−7	9

Source: IMF

IMPORTS OF REFINED TIN
TIN WORLD* MINE PRODUCTION

000 tonnes

	'77	'78	'79	'80	'81	'82	'83	'84
Total	188	197	201	200	205	190	173	163
Malaysia	59	63	63	61	60	52	41	41
Indonesia	26	27	29	33	35	34	27	27
Bolivia	34	31	28	27	30	27	25	18

* Non-Communist world

Source: World Metal Statistics

000 tonnes

	'77	'78	'79	'80	'81	'82	'83	'84
Total	135	137	145	138	133	105	114	122
EEC	45	47	48	46	44	39	38	40
Japan	28	29	31	31	30	26	29	31
U.S.	48	47	48	46	46	28	34	41

Source: World Metal Statistics

GOLD WORLD MINE PRODUCTION

tonnes

	'77	'78	'79	'80	'81	'82	'83	'84
Total	1,201	1,207	1,196	1,187	1,254	1,330	1,383	
Non-Communist world	942	945	927	913	930	1,000	1,049	1,083
S Africa	700	706	704	672	656	664	680	681

COPPER WORLD* MINE PRODUCTION

million tonnes

	'77	'78	'79	'80	'81	'82	'83	'84
Total	6.3	6.1	6.2	6.0	6.5	6.2	6.3	6.4
Main producers								
Chile	1.06	1.03	1.06	1.07	1.08	1.24	1.26	1.29
U.S.	1.36	1.36	1.44	1.18	1.54	1.14	1.04	1.09
Canada	0.76	0.66	0.64	0.72	0.69	0.61	0.63	0.71
Zambia	0.66	0.64	0.59	0.60	0.59	0.53	0.56	0.56

* Non-Communist world. *Source: World Metal Statistics*

UK NEWS

Treasury reopens battle for 3% pay squeeze

BY MAX WILKINSON AND DAVID BRINDLE

MR JOHN MacGREGOR, the Treasury's new Chief Secretary, will this week open the battle to cut public spending plans for next year to a target based on Civil Service pay increases of only 3 per cent.

He is faced with plans from departments which add up to some £4bn more than the £139bn overall target agreed by the Cabinet earlier this summer. This would allow no real increase on the assumption that inflation next year is 4½ per cent.

One of the most important reasons for the extra spending bids is that the inflation rate and corresponding wage pressures have been higher than expected.

The 3 per cent "pay factor" for 1986-87 will be seen by many as being a fierce squeeze. It will be the third successive year in which the pay factor has been held at 3 per cent, while in 1983-84 it was only 3½ per cent.

In the current year, the 3 per cent factor contrasts embarrassingly with an annual inflation rate which climbed to 7 per cent by midsummer, and is likely to be no lower than 5 per cent by Christmas.

The Treasury has been able to claim that settlements – mostly in the 4½ per cent to 5½ per cent range – have not breached public sector cash limits, because departments have been able to find offsetting savings.

The limits still squeezed departments' room for manoeuvre and contributed to the City's belief at the turn of this year that public spending targets had become unrealistic. In response, Mr Nigel Lawson, the Chancellor, was forced to add an extra £2bn to his reserve for this year and next.

For 1986-87, the Treasury will try to downplay the significance of its 3 per cent pay factor, by rolling it up into general targets for current spending for each department and avoiding any separate announcement on Civil Service pay.

Nevertheless, pay represents about 70 per cent of current spending, so that assumptions about settlements for next year are of major importance to the whole public spending strategy.

This partly explains the Chancellor's decision to keep UK interest rates at very high levels throughout this summer, in spite of protests from industrialists that he has pushed sterling to uncompetitive levels.

He is anxious to bring the inflation rate down fast enough to be able to hold public spending on target. Only then will he have a chance of delivering the promised tax cuts before the next election.

The climate for the next public sector pay round is likely to be set by the degree of success of three sets of negotiations in the coming fortnight.

In the Civil Service, Treasury officials and union leaders are to discuss the possibility of a limited form of pay determination, involving a survey of outside pay movements as the first step in restoring a long-term pay system for 500,000 white collar staff.

In local government, employers are considering a substantial offer which would result in a settlement above the inflation rate to avert the threat of industrial action by almost a million manual workers.

Employers of the 440,000 teachers in England and Wales are expected to try to resolve their seven-month dispute with a phased offer likely to add 8 per cent to the pay bill by the end of the year.

The TUC has been planning a broad thrust on public service pay this winter in the belief that one bargaining group alone is unlikely to achieve a significant breakthrough.

It has proved difficult to co-ordinate disparate interests and claims. Health workers, for example are too cowed by the threat of privatisation to show much militancy.

Kinnock faces NUM setback

BY JOHN HUNT

MR NEIL KINNOCK, the Labour leader, faces the possibility of an embarrassing defeat at the Labour Party annual conference over the National Union of Mineworkers' demand for the reimbursement of fines imposed during the pit strike and a review of the cases of miners sacked during the dispute.

This became clear with the publication over the weekend of the agenda for the conference, which takes place in three weeks' time.

The NUM resolution, which was approved by the Trades Union Congress last week against the wishes of Mr Kinnock, is to be raised again at the conference.

It has heavy backing from the constituency parties which indicates that it could be passed by the two thirds majority necessary to commit a future Labour government to implement it.

Mr Kinnock still hopes to avert such a rebuff to his authority, which would also be damaging to Labour's electoral prospects. He will be holding private talks with union leaders over the next three weeks in the hope of winning their backing for some form of compromise resolution.

Sources close to Mr Kinnock believe there is still a chance of replacing the NUM motion, although they admit there is a wave of sympathy for the miners and that many of the big unions are prepared to vote for the NUM resolution, as they did at the TUC.

Mr Kinnock remains adamantly opposed to any attempt to overrule the courts by retrospective legislation.

Mr Ron Todd, general secretary of the Transport and General Workers, is a key figure in the controversy.

Mr Kinnock will be seeking talks with him in an attempt to get the massive voting strength of his union – the country's biggest – behind a compromise.

Labour's national executive committee may also try to initiate a compromise. It may consider a motion proposing a review of the criminal charges, the reinstatement of sacked miners but ruling out the repayment of fines.

On the agenda nearly all the 43 motions and amendments from constituency parties on the subject support the miners.

Other resolutions call for the London clearing banks to be taken into public ownership and for the renationalisation of Britoil and British Telecom.

Policy on S. Africa defended by Owen

By Andrew Taylor

DR DAVID OWEN stoutly defended SDP policy on South Africa against criticism from the delegates that it was too soft, in the opening debate of the conference.

He strongly criticised the Conservative Government for failing to take any action over the crisis in South Africa and appealed to Mrs Margaret Thatcher, the Prime Minister, not to use Britain's veto at the United Nations to block economic sanctions against South Africa.

Dr Owen told the conference that party policy, which calls for a ban on new loans and investment, was not a soft option and would put strong pressure on the South African Government.

He rejected calls from delegates, including Mr Parry Mitchell, chairman of United Leasing, that the party should back calls for a complete disinvestment by British companies in South Africa.

Dr Owen said that disinvestment would hit those good companies which were "fighting against the Government from within, insisting upon black trade unionism, insisting upon paying proper wages and insisting upon training black technicians.

"We need changes that, as far as possible, do not make the lot of the blacks any harder and change that has a possibility of being implemented," said Dr Owen. He called for the European code of practice governing companies dealing with South Africa to be strengthened and given statutory backing.

Dr Owen criticised Switzerland for persistently cheating on any action against South Africa.

He said that the UK Government, through a combination of lethargy and inactivity, had been content to abandon Britain's leading role in attempting to end apartheid and had allowed President Ronald Reagan to monopolise British policy.

Sir David Scott, a former British ambassador to South Africa, said that a complete trade embargo on South Africa would be extremely damaging to Britain.

"The volume of our exports is such that between 70,000 and 100,000 jobs are dependent on trade with South Africa," he said. "If we put these jobs at risk, we should be behaving irresponsibly."

Social Democratic Party conference

Liberal leader wins ovation for 'equal partnership' of Alliance

BY IVOR OWEN

SOCIAL DEMOCRATS gave Mr David Steel, the Liberal leader, a standing ovation at their conference, in Torquay, south England, yesterday when he rebuked a leading member of his own party for publicly questioning the effectiveness of the Alliance between the two parties.

Tension in the SDP ranks eased as Mr Steel applied a mixture of mockery and reproof to distance himself from critical comments made by Mr William Wallace, who is vice-chairman of the Liberal Party's standing committee on policy, and testified afresh to the success of his working relationship with Dr David Owen, leader of the Social Democrats.

In conciliatory tones, Mr Steel recalled the fate of a Scottish patriot known as the Wallace who was hung, drawn and quartered, with the various segments of his corpse displayed in different parts of the country to deter others.

As the Social Democrats perceptively warmed towards him, Mr Steel joked, "History, I am told, repeats itself."

He added: "I have been tempted but, as usual, your leader has restrained me and pointed out that none of the things that happened to the Wallace is Alliance policy."

Mr Steel emphasised that he and Dr Owen had been working together in growing mutual confidence over the past year, even when they had been hundreds of miles and sometimes continents apart.

He claimed that most members of the two parties had achieved a similarly harmonious relationship and said this had been reflected in the electoral advances made by Alliance candidates, particularly in local government.

To cheers, Mr Steel warned, "Our enemies will be constantly out to divide us – we must provide them with no opportunities to do so."

He described the Alliance as "two parties bonded together by common objectives and united values.

"We are a partnership of equals, but that does not mean that we have to pretend to be identical when we are not."

Mr Steel forcefully made clear his disapproval of the suggestion made by Mr Wallace that the experience of office gained by Dr Owen and other members of the SDP when they were Labour ministers was a declining asset.

He said the SDP brought to the Alliance a leader and a team of leaders with great ministerial experience – "That is something that the Liberal Party obviously does not possess." The Liberal Party contributed a grass-roots phalanx of 2,500 councillors built up over a period of 20 years – an attribute which the SDP obviously did not possess.

To further cheers, Mr Steel declared: "Let each of us be proud of our assets which we contribute to our common purpose."

He called on SDP and Liberal Party members to show that the Alliance was and would remain permanent, strong and indivisible both before and after the next election.

Mr Steel also played down the differences between the defence policy of the SDP in relation to Britain's nuclear deterrent and that advocated by some sections of the Liberal Party.

He insisted that the two parties were agreed on the basic essentials of defence policy, and argued that where differences had arisen, they were in areas which would undergo considerable change over the next two years.

"We are therefore wise to discuss them rationally and calmly when the international scenario is constantly shifting."

Mr Steel underlined the importance of the Alliance maintaining its nerve and sense of purpose, and forecast that it would prove to be as "unstoppable as the tide coming in."

Looking forward with confidence to the next general election he said, "There is no limit to what we can achieve then, save the limits we put upon ourselves."

Editorial comment, Page 10

Social ownership move by local activists fails

RANK AND FILE activists failed in a series of attempts to take the SDP closer to accepting the need for new forms of "social ownership" to bridge the divide between the public and private sectors of the economy.

The party managers won massive support for their refusal to allow the issue to be discussed by the council of social democracy – one of the party's two policy-making bodies.

During a debate, there was strong criticism of the concept of a "citizen's trust" – able to hold shares in both public and private sector enterprises on behalf of all adult citizens, who would be entitled to receive dividends on their equitable share in the economy.

Mr David Sainsbury, the chief platform speaker, argued that any policy seeking to promote a measure of redistribution of wealth could best be achieved through the taxation and social security systems.

He made it clear that, when the party finally produced its policy for encouraging wider share ownership, it was likely to contain proposals for boosting employee share-ownership schemes, and to facilitate management buyouts in appropriate cases.

Another speaker, Miss Sara Wigglesworth, warned against adopting measures which made those rich enough to buy shares even richer at the taxpayer's expense.

Call for more trade unionists to join party

SOCIAL DEMOCRATIC Party leaders led applause in support of calls for a drive to attract more trade unionists into the party.

Complaints from the conference floor that the party's public image was one of a comfortable middle-class and management-oriented organisation were strongly endorsed by the bulk of the members of the council of social democracy who attended the debate.

A motion authorising two members of the Association of Social Democratic Trade Unionists to be co-opted on to the council was overwhelmingly approved.

Mrs Shirley Williams, the party president, commented: "The platform is delighted."

Issue of identity comes to the fore

By Our Political Editor

DR DAVID Owen, the SDP leader, is sensitive about being labelled. After a heated debate at the party's national committee on Friday, he said that he be deeply resented talk about being a "sub-Thatcherite." It "stuck in his craw." Yesterday, at a press conference, he argued that Social Democrats "increasingly dislike being labelled back to Labour or Tory origins, or left and right.

"We are social democrats and stick to that."

His defensiveness follows a comment by Mr Roy Jenkins, his predecessor, that "post-Thatcher the country will not want a sub-Thatcherite alternative," as well as a warning by Mrs Shirley Williams, the party president, that the social market economy was not well understood by the public. She preferred the term "mixed economy."

The issue of the SDP's identity has been brought to the fore by a motion from the Stevenage area to be debated tomorrow. It calls for a confirmation of the SDP's original objective "to become, on the centre left of politics, the eventual main challenger to the Conservatives, taking over many of the traditional values (and voters) of the Labour Party."

This motion annoyed some party leaders, although the question cannot be seen merely in terms of left versus right. There are two aspects.

First, some SDP activists and leaders are worried that Dr Owen has put too much emphasis on market forces, which Mrs Williams feels is not appealing to the poor in inner cities, and that insufficient attention has been put on human rights, race relations and redistribution of income and wealth.

Second, there are a number of leading Social Democrats who dislike talking in left-right terms and who believe that the SDP should get away from thinking about old Labour Party values.

Dr Owen regards the whole debate as too introspective. He believes that the term "social market economy," derived from the Bad Godesberg programme of the West German SPD, shows the need for the UK to be competitive.

BASE LENDING RATES

A.B.N. Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co.	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Girobank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid. East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co. Canada	11½%
Citibank NA	11½%	■ J. Henry Schroder Wagg	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	11½%	Williams & Glyn's	11½%
The Cyprus Popular Bk.	11½%	Yorkshire Bank	11½%
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	13 %		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1 month 8.50%. Top Tier—£2,500+ at 3 monthly notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

UK NEWS

U.S. companies to invest £1m in Warwick high-tech centre

BY ARTHUR SMITH

TWO U.S. corporations are investing £1m through their UK subsidiaries to give another boost to Warwick University – already identified by the Government as well-placed to become the national focus for the development of advanced manufacturing technology.

Digital Equipment, the computer and software supplier, and Cincinnati Milacron, the machine tool company, are to be partners with the university in establishing a centre to develop and promote computer integrated manufacturing (CIM).

Both companies see the venture as important not only to their own development but also to speeding the introduction of new technology into British industry.

Heading the project is Professor Kumar Bhattacharyya, who has played a pioneering role in breaking down the barriers between industry and academics. He helps to train the engineering "high flyers" in companies such as Lucas, Austin Rover, Jaguar, Rolls-Royce, GKN and British Aerospace.

Austin Rover has started work on a £3m joint venture to set up an advanced technology centre. Computervision and Automatix, both U.S. leaders in automated systems, are established on the adjacent Warwick Science Park.

Under the new initiative, Cincinnati, which claims to be a leading company in flexible manufacturing systems, will provide equipment worth £500,000. Digital will give a similar amount in the form of the computers and software necessary to link and control the manufacturing systems.

The resources of the university will be used for research and development, and through Prof Bhattacharyya's links with industry, for the training of specialists and the identification of new applications.

Mr Derek Rimmer, director of engineering at Cincinnati, said last night that the collaboration between the two companies would be mutually beneficial.

He said the development of CIM was important to Cincinnati's fight back. The UK subsidiary has suffered along with the rest of the machine tool industry in recent years from weak demand and Japanese imports; employment had been cut from 2,200 to 800.

The UK subsidiary of Digital, with 5,000 employees and a turnover this year projected at more than £800m, has grown rapidly in recent years.

Minister attacks unitary taxation

By George Graham

MR IAN GOW, the newly appointed Minister of State at the Treasury, yesterday attacked the system of worldwide unitary taxation practised by California and some other U.S. states.

"It is the most serious international tax problem that has arisen since the last world war," he told the International Fiscal Association as it opened its annual conference in London yesterday.

"It distorts investment decisions. If it continues, it will disrupt the international tax framework with damaging effects on world trade," he said.

Mr Gow said he hoped the UK Government would not have to use the reserve powers of retaliation it had just passed into law. It would be a major step towards preventing this if California were to succeed in passing legislation against unitary taxation.

● About 1,300 tax specialists from around the world are attending the five-day conference, Clive Wolman writes.

One of the subjects likely to be of particular interest in the UK, in the run-up to the next general election, is the international tax problems of pension funds and other tax-exempt institutions.

The Labour Party's proposals to tax the overseas income and capital gains of pension funds have no international precedent, the conference reports indicate, but would upset many of Britain's double taxation treaties. Much of the tax paid by pension funds under such a regime would probably go to overseas governments via withholding taxes.

Star wars team to visit London

BY PETER MARSH

A SIX-STRONG team from the Pentagon's Strategic Defence Initiative (SDI) Organisation is due in London this week in an effort to reach agreement with the Defence Ministry over UK participation in the project, popularly called star wars.

The team, led by Dr David Martin, the SDI Organisation's director of external affairs, will discuss general guidelines for British participation in three days of meetings starting on Wednesday.

Colonel Thomas Fiorino, executive officer of the SDI Organisation, said at the weekend that earlier discussions had already "shown a lot of progress" in mapping out UK involvement in the $26bn project, designed to produce a set of technologies to defend the West from Soviet missiles.

Dr Martin will be accompanied by Defence Department experts in optical technology and lasers, guided missiles, particle-beam technology and sensors – areas of scientific activity in which British companies and research groups may have something to offer the U.S. programme.

The Defence Ministry is keeping informed on the progress of the negotiations a group of British companies, led by British Aerospace and including other defence-equipment suppliers such as Marconi, Plessey, Hunting and Rolls-Royce, which have indicated they would like to participate.

General areas on which intergovernmental agreement has to be reached include the amount of cash the SDI Organisation intends to spend with UK companies and the commercial rights of technologies developed during the programme.

● The UK Government is canvassing British industry for views on Eureka, the European high technology initiative, Tony Jackson writes.

The project, which has been seen in part as an answer to the star wars programme, was the subject of a 17-country ministerial meeting in July.

Contracts and Tenders

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £. Record volume as sterling fell against a very strong dollar.

Eurodollar Futures—points of 100%. Modest volume prior to next week rollover.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts	Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
1790	2883	10807	9008	61	110	1401	1331

For full details of settlement prices call:
Louise Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

UK NEWS

Nabisco wins agreement for ballot before strikes

BY DAVID THOMAS

NABISCO, the U.S. food group, has signed agreements with several large unions in its British factories that contain a ballot-before-strike provision tougher than that in the 1984 Trade Union Act.

The agreements cover over 5,000 workers organised in seven bargaining units in Nabisco's biscuit and Smith's crisps factories in Aintree, Liverpool; Wigston, Leicestershire; Bermondsey, south London; and elsewhere.

The agreements, reported by Industrial Relations Services, the independent pay research group, in its Industrial Relations Review and Report, published tomorrow, stipulate: "No industrial action of any kind will take place during the currency of this agreement unless it is first confirmed by full secret ballot of all employees covered by this agreement."

That means that any sub-group of a bargaining unit wishing to take industrial action must first win the consent of all members of that bargaining unit in a secret ballot. The Trade Union Act lays down a secret ballot only for those workers wanting to take industrial action.

The General, Municipal and Boilermakers' Union has the most members covered by the agreement.

Other unions party to the agreements include the Transport and General Workers Union; the Amalgamated Union of Engineering Workers; the shopworkers union, USDAW; the Association of Scientific, Technical and Managerial Staffs; the electricians union, the EETPU; the construction union, Ucatt; and the Bakers, Food and Allied Workers' Union.

The list includes the seven largest unions in the private sector. It also covers the main protagonists (on both sides of the argument) in the debate that divided the TUC Congress last week: whether or not unions should accommodate to the Government's union legislation.

The ballot-before-strike provision is one clause in a long-term package, which involves a commitment by Nabisco to relatively high pay increases and no compulsory redundancies, in return for agreement by the unions to changes in working practices and the loss of special payments.

In another notable feature, the agreements specify that management may use a buffer of temporary workers (up to 30 per cent of the total workforce) in order to meet fluctuations in demand and to protect the core of permanent employees from redundancy.

Besides making industrial action more difficult, the agreements promote management objectives in six other key areas.

- They are long-term deals, lasting either two or three years.
- They widen differentials, by allowing workers with higher skills to be paid more.
- They remove or reduce several traditional benefits.
- They signal acceptance of "management-led productivity initiatives" that might lead to cuts in manning levels and the redeployment of workers without compensation.
- They stipulate that "traditional boundaries between production and engineering departments must be removed."
- They acknowledge that Nabisco will contract out its company catering operations.

Mercedes trucks gain ground

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

DAIMLER-BENZ, the Mercedes group of West Germany has overtaken General Motors' British subsidiary, Bedford, in the UK heavy truck market.

Mercedes trucks are now third in the league of best-selling heavy commercial vehicles (over 3.5 tonnes gross weight), the first time a wholly imported truck range has reached such a high position.

The sharp increase in D-B's penetration of the UK market follows the launch at the end of last year of the LN range of 7.5-tonne vehicles, which have been much more successful than expected. The range competes in a sector that accounts for one in every four truck sales in Britain and D-B has now raised LN sales targets this year from 1,300 to 1,800.

By the end of August, D-B had sold a total of 4,411 heavy trucks in the UK for an 11.5 per cent share of the sector. That was a 30.65 per cent improvement in unit sales from the 3,376 in the first eight months of 1984, when D-B's share was 9.29 per cent.

In contrast, Bedford's market share has fallen from 13.3 per cent to 11.2 per cent for the eight months and its truck sales from 4,830 to 4,294.

Bedford continued to lose ground last month when its registrations fell from 579 to 518, while D-B's accelerated by 42 per cent, from 535 to 759.

Ford continued to lead the heavy commercial sector, although with registrations for the eight months down by 5 per cent to 6,497. It is followed by Leyland, the BL subsidiary, which also has a new 7.5-tonner this year in the Roadrunner, and which has improved sales from 5,378 to 5,882 in the January-August period.

The Mercedes group's performance helped to boost total heavy truck sales in the UK last month to 5,941, up by 21 per cent on the 4,913 for August 1984.

According to Society of Motor Manufacturers and Traders' statistics, after eight months the heavy truck sector had improved by 5.24 per cent, from 36,335 registrations to 38,241.

That contributed to a 4.14 per cent rise in total commercial vehicle sales over the eight-month period, from 190,567 to 198,450.

In August alone, sales of commercial vehicles were up by 12 per cent.

The importers' share of the August market fell from 42.3 per cent to 41.4 per cent, but over eight months it was up from 35.6 per cent to 36.9 per cent.

Virgin enters package tour holiday business

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MR RICHARD Branson's Virgin group, which includes Virgin Atlantic Airways, is to enter the package tour holiday business with a new company, Virgin Holidays.

The new venture will be run by Mr Malcolm James, formerly managing director of Jetsave, who will be chief executive of Virgin Holidays.

A programme of holidays in the U.S., the Caribbean, Mexico and Europe will be prepared for the season starting next April, linked with Virgin Atlantic Airways' flights, currently to Maastricht in Holland and Newark, New Jersey. The Virgin Holidays brochure will go to travel agents in November.

The airline has applied to the Civil Aviation Authority for rights to fly between Gatwick and Miami, for which it is negotiating a second Boeing 747 Jumbo jet.

- British Airways is leasing a second Boeing 747 "Combi" combined passenger and freight aircraft this winter to boost cargo space on the North Atlantic. The aircraft will carry up to 40 tonnes of freight and up to 223 passengers.

Company Notices

NOTICE TO HOLDERS OF 4 PER CENT CONVERTIBLE BONDS DUE 1999 OF NIPPON KOGAKU K.K.

Pursuant to Clause 5(B) and (E) of the Trust Deed dated 4th September, 1984, we file with you the following notice.

At the meeting of the Board of Directors of our Company held on 28th August, 1985, the resolution was adopted on the issue of new shares by the free distribution, the particulars of which are given below. Consequently, the conversion price of the convertible bonds shall be adjusted, the particulars of which are given in 3) below.

1) The free distribution of new shares will be made to shareholders of record as of 30th September, 1985, Tokyo Time, at a ratio of 0.13 shares for each share held.

2) The free distribution will become effective on 20th November, 1985, but the dividends for these new shares will accrue as from 1st October, 1985, Tokyo Time.

3) Adjustment of the Conversion Price: Pursuant to Condition 5 (C) (I) of the Terms and Conditions of the Bonds, conversion price will be adjusted from Yen 1,242.20 to Yen 1,099.38 per share of the Common Stock of the Company effective as from 1st October, 1985, inclusive.

NIPPON KOGAKU K.K.
By The Mitsubishi Bank, Limited, London as Principal Paying Agent
9th September, 1985.

KOMMUNLANEINSTITUTET AKTIEBOLAG

7½% 1978/1993 UA 15,000,000

On August 26, 1985 Bonds for the amount of UA 579,000 have been drawn in the presence of a Notary Public for redemption on October 12, 1985.

The Bonds will be redeemable coupon due October 12, 1986 and following attached.

The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning:
at 12,717 up to 13,674 incl.
Amount purchased on the market: UA 896,000.
Amount Outstanding: UA 10,200,000.
Outstanding drawn Bonds:
7,716
7,741 to 7,743 incl.
7,780
7,844
7,885 to 7,895 incl.
8,029 and 8,030

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg,
September 9, 1985

REPUBLIC OF ICELAND

8½% 1973/1988 UA 12,000,000

Bonds for the amount of UA 510,000 have been drawn on August 26, 1985 in the presence of a Notary Public for redemption on October 24, 1985.

The following Bonds will be redeemable coupon due October 24, 1986 and following attached:
11,270 to 11,283 incl.
11,305 to 11,320 incl.
11,414 to 11,893 incl.
Amount unamortized: UA 7,560,000.
Outstanding drawn Bonds:
7,296 to 7,321 incl.
7,350 and 7,351
7,368 to 7,375 incl.
7,380 to 7,419 incl.
7,422
7,498 to 7,508 incl.
7,510 to 7,520 incl.
7,580 to 7,596 incl.
7,647 to 7,697 incl.
9,761 and 9,762
9,832 and 9,833

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg,
September 9, 1985

Contracts and Tenders

Housing Executive

Tenders are invited for the supply, delivery and installation of

Computer Aided Design (CAD) System

Tender Forms, Specification etc, may be obtained from Office Services, 4th Floor, The Housing Centre, 2 Adelaide Street, Belfast BT2 8PB. Tel No 0232 240588—ext 2331 and completed Tenders sealed in the envelope provided must be returned to this address not later than 3.00 pm on Tuesday 1 October 1985.

Contractors within the scope of the Fair Employment (Northern Ireland) Act 1976 should note that Tenders will only be considered from those firms which have signed the Fair Employment Agency's Declaration of Principle of Intent.

The Executive is not bound to accept the lowest or any Tender.

W. V. BLEASE
Chief Executive

Legal Notices

Company No. 1005425
Registered in England
IN THE MATTER OF
THE COMPANIES ACT 1985
AND IN THE MATTER OF
GREENWAY INSURANCE BROKERS LIMITED
Registered Office & Business Address: Roxeth House, Shaftesbury Avenue, Harrow, Middlesex. HA2 0PZ

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act 1985 that a MEETING of the CREDITORS of the above-named Company will be held at Shelley House, 3 Noble Street, London EC2V 7DQ, on Tuesday 17 September 1985 at 11.00 am for the purpose mentioned in Section 589 et seq of the Companies Act 1985.

Dated this 27th day of August 1985.
By Order of the Board.
R. A. H. GREENWAY,
Director.

Clubs

INDUSTRIALIZATION FUND OF FINLAND LIMITED

600,000,000 Luxembourg Francs 7% guaranteed Bonds 1972/1987

We hereby give notice that, in accordance with the terms of the above-mentioned loan, Bonds for the principal amount of Lux. Frs 41,850,000 have been drawn on August 26, 1985 for redemption at par on October 15, 1985. Principal amount of Bonds purchased by the Company: Lux.Frs. 18,150,000.
The following Bonds have been drawn and may be presented to Kredietbank S.A. Luxembourgeoise 43, Boulevard Royal, Luxembourg or to the other Paying Agents named on the Bonds:

00007	00357	00941	01861	02702	03078	03810	03996	04658	05719	06085	06349	10746	10910	11124	11347	11561	11790
00014	00359	00954	01863	02705	03079	03812	04007	04643	05721	06089	06353	10749	10914	11125	11363	11562	11791
00018	00360	00957	01865	02707	03089	03814	04009	04645	05745	06092	06365	10752	10932	11126	11368	11567	11792
00032	00386	00960	01869	02875	03090	03817	04016	04647	05750	06115	06368	10755	10938	11128	11375	11574	11801
00042	00380	00961	01870	02876	03091	03824	04022	04650	05752	06131	06378	10758	10947	11141	11376	11583	11806
00051	00383	00962	01874	02882	03093	03828	04026	04660	05756	06132	06382	10763	10949	11153	11378	11588	11810
00056	00386	00963	01878	02886	03096	03833	04032	04666	05761	06136	06386	10765	10952	11156	11379	11591	11811
00058	00387	01014	01881	02891	03104	03835	04033	04669	05763	06138	06398	10779	10957	11162	11380	11593	11815
00060	00437	01173	01883	02894	03105	03842	04037	04672	05765	06139	06400	10780	10963	11169	11384	11604	11816
00062	00441	01175	01892	02906	03108	03844	04039	04674	05815	06150	06401	10782	10965	11173	11386	11609	11820
00070	00458	01178	01893	02911	03109	03847	04041	04675	05825	06156	06411	10783	10966	11175	11390	11611	11826
00080	00489	01179	01894	02912	03111	03852	04042	04679	05827	06157	06419	10785	10971	11183	11396	11623	11834
00086	00490	01184	01896	02913	03113	03855	04044	04684	05839	06159	06421	10786	10979	11185	11398	11625	11846
00088	00501	01225	01905	02920	03116	03863	04052	04695	05848	06163	06422	10788	10982	11191	11404	11634	11849
00098	00513	01331	01909	02922	03131	03865	04056	04714	05849	06164	06424	10790	10989	11192	11407	11635	11850
00107	00514	01332	01915	02926	03132	03877	04088	04724	05850	06165	06426	10806	10996	11196	11412	11643	11869
00109	00517	01732	01916	02930	03138	03879	04384	04728	05851	06170	06428	10809	10997	11201	11424	11648	11870
00113	00519	01733	01919	02934	03149	03881	04394	04731	05856	06180	06449	10814	11002	11209	11426	11655	11875
00114	00525	01734	02058	02939	03150	03883	04395	04741	05873	06184	06459	10817	11003	11210	11429	11658	11878
00184	00528	01735	02060	02947	03153	03890	04398	04745	05874	06189	06489	10819	11004	11221	11431	11660	11877
00186	00529	01737	02065	02944	03156	03894	04399	04753	05988	06204	06232	10821	11005	11227	11435	11671	11880
00188	00530	01751	02091	02950	03157	03895	04402	04755	05990	06206	06233	10825	11010	11230	11440	11673	11904
00191	00548	01753	02103	02951	03159	03896	04408	04756	05996	06207	06234	10833	11014	11233	11441	11680	11909
00192	00550	01756	02106	02958	03171	03898	04419	04757	06001	06210	06235	10838	11017	11238	11445	11681	11912
00194	00552	01758	02115	02964	03176	03900	04421	04762	06003	06211	06236	10840	11018	11239	11446	11684	11917
00198	00555	01760	02126	02965	03179	03908	04475	04763	06006	06214	06237	10844	11026	11242	11454	11685	11921
00201	00557	01763	02128	02967	03185	03919	04484	04774	06010	06224	06241	10846	11027	11243	11455	11689	11928
00202	00558	01767	02264	02971	03186	03927	04485	04783	06013	06226	06246	10848	11030	11255	11457	11693	11953
00219	00649	01768	02270	02978	03194	03930	04486	04787	06016	06228	06248	10849	11031	11259	11458	11702	11954
00221	00656	01776	02453	02979	03214	03932	04498	04790	06018	06230	06250	10852	11032	11263	11459	11705	11960
00223	00657	01777	02455	02988	03218	03937	04500	04792	06019	06235	06345	10853	11037	11266	11460	11709	11969
00238	00658	01779	02495	02997	03725	03938	04506	05182	06025	06248	06346	10854	11038	11267	11468	11711	11971
00247	00660	01782	02498	03000	03737	03942	04512	05183	06026	06259	06348	10858	11039	11271	11472	11719	11973
00252	00756	01790	02500	03001	03739	03944	04525	05189	06031	06262	06350	10860	11061	11278	11475	11728	11975
00256	00757	01791	02521	03008	03740	03948	04526	05190	06038	06272	09231	10865	11074	11289	11476	11729	11982
00257	00764	01795	02523	03009	03741	03954	04539	05192	06040	06277	09232	10867	11089	11292	11478	11738	11986
00294	00774	01800	02661	03011	03743	03956	04557	05230	06046	06282	09237	10869	11097	11300	11490	11741	11991
00302	00777	01802	02662	03015	03745	03958	04577	05231	06051	06288	09238	10874	11101	11301	11498	11746	11993
00303	00780	01805	02663	03019	03752	03960	04589	05244	06054	06291	09240	10878	11107	11302	11519	11749	
00305	00790	01807	02665	03026	03756	03966	04595	05250	06058	06297	09717	10879	11108	11304	11524	11753	
00328	00793	01808	02670	03030	03762	03968	04603	05631	06065	06302	10007	10888	11110	11307	11532	11754	
00331	00794	01822	02674	03031	03772	03971	04606	05662	06068	06306	10008	10890	11111	11309	11534	11755	
00332	00917	01824	02682	03039	03778	03978	04611	05670	06072	06308	10019	10896	11114	11316	11535	11758	
00336	00922	01832	02687	03043	03794	03981	04617	05672	06073	06310	10021	10897	11118	11320	11539	11771	
00343	00924	01841	02689	03044	03800	03986	04618	05698	06080	06332	10727	10900	11118	11324	11546	11777	
00353	00929	01849	02690	03058	03801	03992	04622	05699	06081	06323	10731	10901	11119	11337	11552	11783	
00354	00934	01854	02699	03059	03802	03994	04631	05700	06084	06337	10744	10902	11123	11341	11557	11787	

Bonds surrendered for redemption should have attached all unmatured coupons appertaining thereto. Coupons due October 15, 1985 should be detached and collected in the usual manner.
For payment in London, Bonds must be lodged through an Authorised Depositary. Bonds will be received on any business day and must be left four days for examination.
Amount outstanding: Lux Frs. 120,000,000
Outstanding drawn Bonds:

1	3 and 4	63
68	79	92
100	105	479
484	487	492
506 and 507	768	776
1157	2161	4739
4742	4752	4758
4764	4771 and 4772	5691
5712	5714	

Luxembourg, September 10, 1985

THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Dr Amar Sabberwal: turning technical ideas into a business

A task force for renewal

Peter Marsh explains how Turner & Newall nurtures research for new technologies

"WE ARE not an ordinary research laboratory," says Dr Amar Sabberwal, managing director of Turner and Newall Materials Research. "We are an entrepreneurial group of people trying to turn technical ideas into a business."

Sabberwal was appointed in 1981, a year before the Turner and Newall group, a Manchester-based materials company selling a wide range of products in the engineering, car and construction industries, stumbled into a massive cash crisis.

During the 1970s, the company's dependence on asbestos, a material firmly associated with health hazards, caused increasing financial problems. In 1982 the group suffered a loss of £11m on sales of £621m. The difficulties were so severe that a consortium of banks was called in to rescue the company from receivership.

Sabberwal's role was to prepare for a resurgence by developing new technologies for the group's dozen or so operating companies, a diverse bunch which includes BIP Chemicals in Birmingham, a resin manufacturer, TBA Belting of Wigan which makes power-transmission products and the Morecambe-based Storeys Decorative Products, a specialist in vinyl wallpapers.

Materials Research has contributed to a gradual turnround in Turner and Newall's fortunes, both in a quantifiable way through sales of new products and in less easily quantified contributions to a variety of developments. (Under the new chairmanship of Sir Francis Tombs, the group made a profit of £21m last year on sales of £472m.)

So far Sabberwal's 50-strong enterprise has introduced into the Turner and Newall subsidiaries five new areas of technology (see panel), which are slowly making a commercial impact. They range from electro-conducting materials for the electronics industry to graphite foils and ceramics for engineering applications.

Sales from the new products amount to a few hundred thousand pounds a year—rather less than Sabberwal's annual budget of £1.25m, which covers staff costs and overheads at his company's base in Rochdale. In addition, the company spends about £250,000 a year on capital equipment to aid the development of specific technologies.

Sabberwal thinks Materials Research will start to recover its running costs within about three years and that the new technologies the company is developing will turn into "£1m-turnover" businesses soon afterwards.

The approach is deliberately cautious. "We are not trying to conquer the world," says Sabberwal, who previously worked for TAC Construction Materials and Ferodo, two other companies in the Turner and Newall group.

"We are looking for new ideas that relate to market areas we are already in or which capitalise on an existing technical base. The plan is to move forward in slow steps—not big jumps."

Materials Research was formed in 1977. At that time it was called the Alternative Materials and Fibres Unit (AMFU) — indicating Turner and Newall's urgent need to find replacements for the asbestos products which constituted an overwhelming proportion of the company's output.

As part of a crash programme, the unit came up with a spectrum of materials such as carbon or ceramic fibres, plastics, cellulose and steel which could be used in place of asbestos in Turner and Newall's staple products such as brake linings, construction panels, seals and gaskets.

Today, the company can offer customers substitute materials for asbestos in virtually all its products. Goods containing the material accounted for less than half of the company's UK sales last year of £297m, compared with 60-70 per cent in the mid-1970s.

In 1981, the year Sabberwal joined AMFU, it was given the much wider remit to explore new technical ideas on behalf of the whole of the group.

On the grounds that badly-run scientific laboratories can swallow large sums of money in pursuing useless ideas, Turner and Newall executives had an entrenched distaste for setting up a conventional R and D centre. From the start, Materials Research was given firmly commercial guidelines.

In Sabberwal's terminology, the group's operating companies play a "godfather" role in taking over technologies developed by his staff. The plan is that the subsidiary exploits a technology in close liaison with the people who initially worked on it.

Thus Materials Research has entered the novel area of electrical shielding materials for the electronics industry in conjunction with an established subsidiary, TBA Industrial Projects.

Sabberwal attaches importance to the transfer not only of technologies from his company but of people. One or two of his research staff may be asked to move jobs to another Turner and Newall subsidiary once the technology they have worked on enters the market place.

That has happened, for example, in the case of Flexicarb, a graphite foil for sealing pipes and engines, which Materials Research developed and which is now sold by Flexitallic, a Turner and Newall company in Heckmondwike, Yorkshire.

The scientists normally make the transition to the commercial sector without too much trouble. "We have shown that R and D scientists can work to commercial guidelines if given the right general framework," says Kip Heron, a director of the Rochdale company. "We have deliberately not adopted an Ivory Tower approach."

Materials Research chooses technologies for serious study only after a set of rigorous procedures to ensure they fit in with the group's other activities.

Every two months, a dozen people in the Rochdale company discuss a range of ideas for new technologies. These are culled from a range of sources—talks with other companies or university departments, consultants' reports, press cuttings or job advertisements.

The ideas that survive are put to Turner and Newall's research advisory committee, which meets every three months and includes senior technical people from the operating companies.

The final level of screening is provided by a management committee for Sabberwal's company which controls his finances and comprises the managing directors of all the Turner and Newall subsidiaries.

This body decides the level of resources to be put behind a new technology and which of the operating companies should have responsibility for marketing once the technology is developed.

Ideas which do not fit in with Turner and Newall's marketing approach—or which, however technically exciting, do not have obvious applications—are soon discarded.

Out of every 100 notions for a new technical thrust considered informally by his staff, only one survives the management committee discussions, according to Sabberwal. "They (the committee members) are a tough lot," he says.

The process is continuing. Materials Research aims to start the development of new technical ideas at the rate of one or two a year.

Sabberwal says he is pleased with the work of the past four years. "We are laying the ground for Turner and Newall's future—but without costing the company a packet."

Potential products

MATERIALS RESEARCH is introducing to Turner and Newall subsidiaries five new sets of technical ideas that could lead to innovatory products or processes:

● **Electroconductive materials.** These substances, which contain metals or other conductors and are based on paints or plastics, are applied to electrical equipment to shield circuits from stray electromagnetic radiation. Materials Research and TBA Industrial Products, an established Turner and Newall subsidiary, have formed a joint venture to sell the products.

● **Graphite foil.** Flexitallic, another Turner and Newall subsidiary, sells foil based on developments at Materials Research. The foil (called Flexicarb) can be made into gaskets and seals and has a variety of uses, for instance in engines and chemical plants. It is used in place of rubber or plastics materials that may wear out more quickly.

● **Speciality papers.** Turner and Newall has for many years sold such products, based conventionally on asbestos, for jobs such as thermal and electrical insulation. Materials Research has replaced the asbestos with other substances such as plastics and ceramics and started to explore new applications of the papers, for instance in the production of composite materials for aircraft or engineering structures.

● **Ion implantation.** In this technology, beams of nitrogen ions are embedded into metal components such as turbine blades to increase the parts' resistance to wear. Materials Research is investigating applications of ion implantation, with some help from TAC Construction Materials (part of the Turner and Newall group) and Salford University. The technique could improve the performances of products such as brake linings made by Ferodo, another member of the group.

● **Advanced ceramics.** Materials Research is turning out prototype quantities of materials based on ceramics such as silicon carbide and silicon nitride. These are lightweight, tough and highly stable substances that could form part of products such as cutting equipment, textile machinery or machine-tool dies. The British Ceramic Research Association has helped in this effort.

Office automation

A catalyst for control

BY CHARLES BRETT

OFFICES and office organisations exist. Management may wish they did not but, invariably, offices seem immortal and immutable. The office appears inviolable. Yet the output of the office does not rise in step with its costs. Recently the consequence of this divergence has been that management, almost despairingly, has thrown money at technology in the often vain hope that machines will decrease costs and/or improve productivity with so-called "office automation."

Computer suppliers have been happy to oblige. As they have seen their own traditional markets stagnate, they have decided that the application of their computing technology to the office must create huge new sales opportunities. Such products, popularly called "office automation," or "OA," are promoted on the basis that office automation enables control of the office.

The reality is very different. Office automation is a concept. It is not a product to be bought and sold off the shelf. The office is not a rigid entity which can be automated merely by introducing expensive systems or machines.

But this is not to suggest that improving the office, in which computing has its appropriate place, is without benefit. Quite the reverse. For "office automation" can be used as a prime catalyst to enable management to gain control of the office complex and to focus the office.

The need is to re-orient the office and its component organisations, systems and people, to achieving corporate strategic objectives—and nothing else.

Whereas all companies have annual statutory financial audits, the office does not and never has had. In financial audits, comments are passed about fiscal health. This includes reporting upon controls and financial management.

Likewise recession has forced a similar audit upon manufacturing and production processes in industry. Industry has a need to remain, or become, competitive in order to survive. Many industries have carefully scrutinised their processes in order to obtain maximum efficiency. This has frequently resulted in increased investment, often in tools like computer-aided design, manufacturing and robotics. The enforced audit has created savings and benefits—as a direct consequence of the scrutiny and subsequently attained improvements.

The office has no equivalent audit. The office exists as a loose collection of functions which are rarely focused, as a whole, upon meeting top management objectives. As the office has evolved it has become disparate. It has become a self-perpetuating overhead which attempts self-justification rather than satisfaction of strategic objectives. The consequence is the frustration which much management faces today—an office complex which is always active, devours money and resources but which fails to support the business economically.

Seduced

Yet so powerful is this overhead that it is difficult for management to break with practice. It is frequently at this point, when management has despaired of controlling office costs, that "office automation suppliers" appear. Trumpeting "OA will do wonders if only you buy it," management is seduced — only to see the office costs continue to increase, but faster.

Yet, as soon as OA is mooted today, offices intuitively understand that change will and must occur. It is this de facto acceptance, that OA means change, which represents the opportunity for addressing the whole purpose of the office complex.

Thus management must commence by obtaining a view of what effectiveness can mean to its unique organisation. It must include an intimate understanding of the business itself, the environment, people and strategic goals. Only when these are placed into an appropriate perspective can the process of exploiting the catalyst, of "office automation," begin.

The essence of this review is a description of the minimum office needed to support the business, together with a policy that office effectiveness can only be achieved where investment decisions are made by managers with profit or achievement responsibilities (and not by functions that are part of the overhead).

This review explicitly avoids the risks associated with the immediate acquisition of technology. The objective is to assess the office (not the business) for its competence to meet strategic objectives. It is all-embracing. As such it is a novel experience for many. It takes the global, not sectionalised, view with the end result that the organisation's need for office support is quantified and defined. This process is aware of the potential of office technologies, and that it should not embrace them prematurely.

Reorganisation follows. It will be welcomed. People, the real assets in the office, do not enjoy a lack of direction or justification. The revised tasks which are set for individuals will be ones which those individuals will recognise as being relevant to the corporate good. If this is accomplished, aspirations will be achieved, job satisfaction and thereby productivity improved — and correct hiring and application of staff will provide lower costs of manpower.

As reorganisation continues, but only after it has begun in earnest, relevant office technologies can be introduced — to optimise the office as a whole.

That this approach works has been demonstrated in several organisations—but as yet too few. Radical examination of the office complex is rare in Europe—but increasingly common in the U.S. In order to remain competitive and to pursue the very real benefits which refocusing the office can provide, Europe needs this approach with its minimum of technical risk.

Application of this methodology to offices and their "automation" implements corporate requirements in a manner similar to that used for other investment; it reflects the importance and contribution of both people and investors. It prevents propagation of unnecessary overheads.

It is management's challenge and opportunity to exploit the catalytic effect in the name of "office automation" in order to concentrate the office complex upon what it should have been accomplishing from the start. In so doing business will reap impressive rewards.

Charles Brett consults for PA's international division.

TECHNOLOGY

EDITED BY ALAN CANE

Japanese cut cost of flexible machining

JAPANESE machine tool company Yamazaki has launched an "off the shelf" flexible machining system (FMS) which is claimed to bring the technique within the range of ordinary engineering companies.

Much has been said and written about FMS in the last four years, but applications are still relatively few—a situation Yamazaki hopes to remedy with the new system, which has a minimum price in the region of £300,000.

The idea of FMS is simple enough. Instead of using dedicated machine tools for repetitive machining jobs in a batch production shop, flexible systems use a completely different approach. The link machine tools, handling devices and transport systems by computers and communications lines, allowing many different components of the same general size and kind to be machined in any sequence, without stopping the system.

The advantages are that products, probably of better quality, can be made on demand to meet orders, while work in progress should sharply reduce or disappear. Machine utilisation should also improve.

The Yamazaki system, called Mazatrol FMS, is based on the company's recently-introduced H15J horizontal machining centre. These machines can change cutting tool automatically, using any of 80 tools in a belt magazine based on instructions from the machine's controller.

Up to four of the machine tools can be installed in line, fed from a three tier storage unit running parallel to the machines in which both parts and fixtures are stored on pallets.

A crane runs up and down the storage unit, entering or removing pallets under control of the FMS computer, which also tells the machine tools what parts are scheduled so they can find the appropriate machining programs. The crane delivers and removes parts to and from the machine tools according to instructions from the computer.

An operator can see the status of the system on a screen and keyboard unit.

System with a genius for finding faults in factories

Geoffrey Charlish on a plant control system promising to give big savings

GENERAL ELECTRIC of the U.S. has developed a cost-cutting system called Genius for connecting factory automation equipment like motors and valves to the shop-floor computerised units that control them—the programmable logic controllers.

GE claims it can cut installation costs in half, increase fault detection rates by eight times and halve system idle time due to faults. The company has produced these significant improvements by introducing intelligence into special input/output terminal blocks to which the plant devices are connected.

Program logic controllers (PLCs) are the workhorses of automatic factory systems. They are computer-based devices which, once instructed by a production engineer, will continue to stop, start or alter the behaviour of motors, valves, actuators and other devices in production plant.

GE claims some of these systems have been costly to wire up or to change, and isolating some kinds of faults has been time-consuming and costly.

A fault in the PLC's computer is no problem: processors can be designed to diagnose their own faults. But GE says that only about 20 per cent of input/output, power supply and other module faults are internally detectable.

The main trouble is that most of the faults (about 75 per cent) occur in the field wiring, actuators, motors and sensors—and none of these can be detected without external equipment and effort.

By placing intelligence in the form of custom-designed chips in the terminal blocks, with interrogation by a hand-held, plug-in terminal, most of these faults can be quickly detected with Genius.

Mr Chris Adams, PLC applications manager for Europe, claims this marks an important advance. He believes that amid all the recent emphasis on improving the PLC itself, too little attention has been paid to input/output (I/O) problems at plant level. Mr Adams claims that 60 to 75 per cent of a PLC's total cost today concerns I/O installation and fault-finding.

Talking to customers, two bugbears were mentioned time and again, he says. One is the cost of installation. The other is loss of production when plant has to be shut down because of PLC-related failure. Costs when this happens can easily reach £10,000 an hour.

Many control systems use a large central panel into which each plant control device is wired individually, using miles of bunched wiring.

Using Genius, the central panel vanishes and its many I/O points are distributed into a number of intelligent terminal blocks placed near the controlled machinery. The Genius blocks are connected back to the PLC over a single twisted pair cable that forms a common data highway.

This reduction of wiring has cut installation cost from a typical figure of £80 per I/O point to about £40.

Genius has an even more dramatic effect on finding faults, some 80 per cent of which occur outside the PLC system itself. On-off contact sensors account for 45 per cent, mechanical actuators 30 per cent and wiring faults five per cent. GE believes that only about seven per cent of control system faults can be detected by present PLC systems unless they deploy expensive, add-on custom engineering.

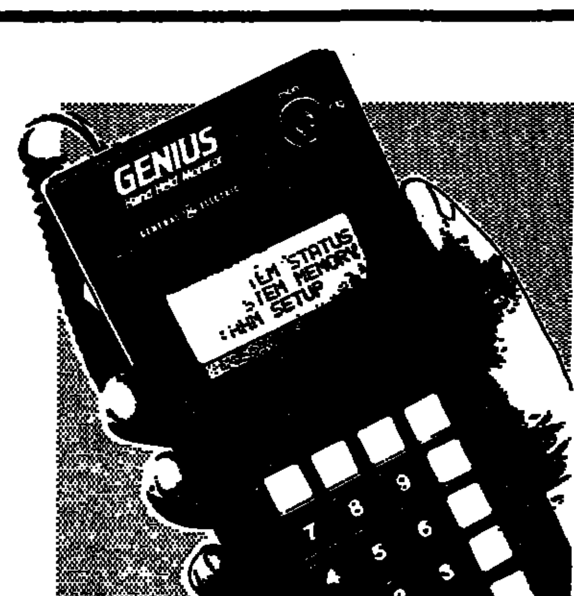
The claim for Genius is that it raises the fault detection level to 50 per cent. Using a plug-in, hand-held terminal with keyboard and liquid crystal display, a service technician can soon discover which field device has failed. The average time to trace a fault and remedy it can be halved.

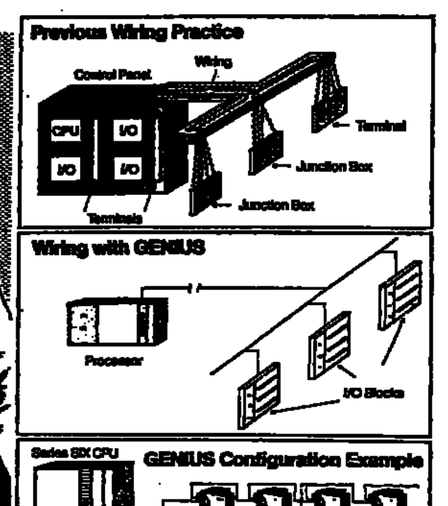
For example, if the value of a production line output is £80 per minute and the normal average time for repair is 50 minutes, GE claims it "can put £2,000 back into the user's pocket with the detection of one failed actuator, sensor or broken wire."

Genius is designed for use with GE's System Six PLC, to which hundreds of the I/O blocks can be connected in groups of 30 to each single run of twisted pair cable. Each cable can extend 2000 feet from the PLC and blocks can be inserted wherever convenient on the factory floor. If any one of them fails, the rest are unaffected.

The "brains" of the Genius lies in an intelligent power switch built on a chip which integrates low-power logic circuits with high-power driving devices. The chip has a dual function: it can switch power devices in the plant when told to do so by the PLC and can also sense the presence of voltages and tell the PLC processor.

The block constantly monitors everything connected to it and is programmed to shut down the plant equipment in a safe condition if programmed limits are exceeded. It then signals back the nature of the fault to a display on the PLC and a technician can go to the appropriate block, plug in the hand-held terminal and diagnose the fault—in English, French, German or Italian. In the UK, GE is on 0327 704011.





Robot sculptor takes automated vehicle design a step further

THE robot pictured on the left is no Barbara Hepworth, but its efforts as sculptor are helping French motor engineers cut the cost of designing a new vehicle by up to 50 per cent.

The robot is sculpting a full-scale model in plastic of a new passenger car. It is in action at the Renault Technical Centre at Rueil, just outside Paris, and it marks the latest development in Renault's use of computers to automate every part of the car production process.

For some years, motor vehicle manufacturers have made sophisticated use of computer-aided design (CAD) techniques, using computer-power not only to create designs on a screen but to manipulate those designs. The designer can define the shape of a vehicle part, move it around in three dimensions to examine its behaviour from various angles, analyse the stresses to which it will be subject and check that it will behave mechanically as it should.

The system can then be commanded to produce engineering drawings. The trend today is to combine CAD with computer aided manufacturing (CAM) which involves the automation of the "back office"—bills of material, shopfloor management information and so on.

With its "sculpting robot" Renault is taking the next step along that path. The first step in the design of a new vehicle is the production of rough sketches by the stylist—these have to be converted into three-dimensional models so managements can check comparisons and decide whether to proceed with particular design features.

Generally, a one-fifth scale model is built first, followed by a full scale version for final checks. So the designer's sketches have to be translated into accurate plans from which to construct the model.

This used to be a long and laborious manual process. Renault and other manufacturers have developed methods of converting drawings automatically into plans.

For example, one computer program can interpret a stylists's drawings, recreating it on screen and filing all the essential information in the drawing in the computer's memory.

From this database, it is a simple task for the computer to control the sculptor robot as it creates a full scale model of the proposed vehicle.

Using traditional techniques—hand draughting and wooden construction—Renault says it took 12 to 16 weeks to make a model. With its CAD techniques and plastics, time and costs have been halved, and valuable designers are freed from time-consuming tasks.

The Renault computer system is called Unisurf. Matra Datavision, which developed the three dimensional logistics system known as Euclid, recently signed a co-operation agreement with Renault as a result of which the Renault Unisurf and Surfapt systems will be integrated with Euclid.

ALAN CANE

Forecast on 32-bit computers

TRUE 32-bit microcomputers, tiny machines with the power and speed of mainframes, are unlikely to replace today's 16-bit machines quickly, according to a report from the International Data Corporation.

It suggests that 32-bit systems will constitute less than 5 per cent of the market even in 1990. IDC's argument stems from the fact that 16m 16-bit processors will have been shipped between 1984 and 1990, and users of 16-bit machines will find them more than adequate for their tasks.

In 1984, 8-bit machines still accounted for 47 per cent of all sales.

IDC predicts that the West European market for personal computers in professional use will grow from 950,000 units in 1984 to 5.1m units in 1990.

IBM held 45 per cent of the market for 16-bit systems in value terms in 1984 and its shipments in West Europe are growing at 30 per cent a year.

IDC Europa is on 01-995 8082.

Industry's use of adhesives on the increase

INDUSTRIAL adhesives are becoming steadily more important in manufacturing industry. Now TR Fastenings of Uckfield, a leading adhesives distributor, has established an "adhesives centre" in the South-east to advise, supply and provide technical support to engineers innovating with adhesives.

TR says: "The principle behind the new concept is that conventional distributors of industrial adhesives are generally tied to one supplier, but TR has arrangements with four leading names, Loctite, Bostik, Permabond and Anglo so it can provide unbiased advice on the most suitable product for a particular application."

Terry Saward of TR has the details on 0825 4711.

Architecture/Colin Amery

Inventively re-creating the past

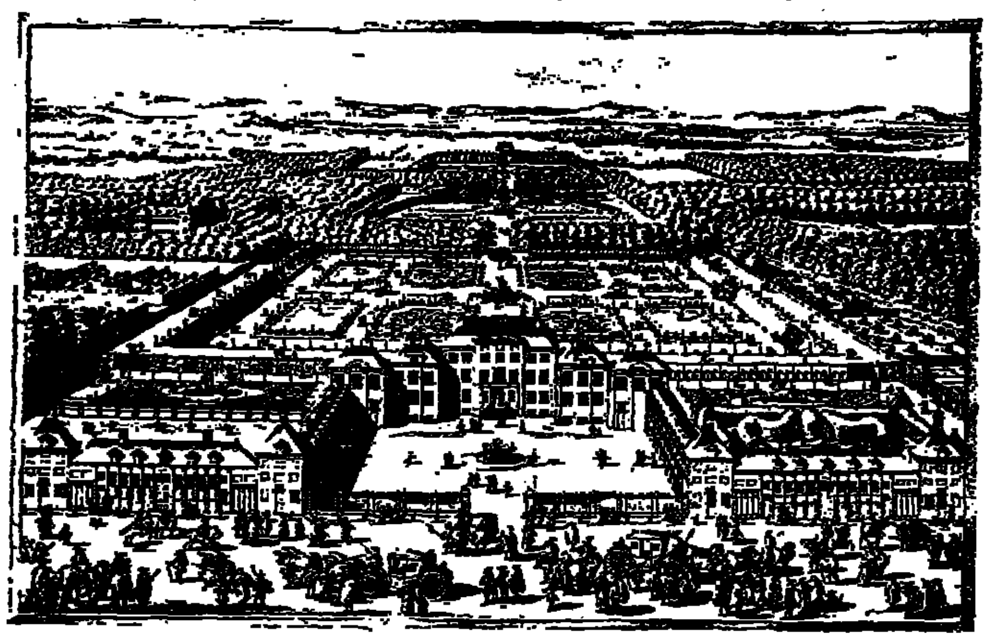
Where is it possible in Europe to visit a royal hunting lodge, richly but simply decorated by the great Huguenot master Daniel Marot, set in the most accurately restored baroque garden in the world? There is only one place and that is Het Loo, the Dutch royal summer palace that stands in the wooded lands of the Veluwe between the Rhine and the Ijssel at Appeldoorn.

In 1969 the Government of the Netherlands decided to turn Het Loo into a museum devoted to the members of the House of Orange-Nassau and to restore the whole place as the 17th century garden estate recorded in many engravings of the period. The restoration took seven years and was of a thoroughness and accuracy that are staggering. The palace has been open to the public for a little over a year; it is timely to examine the reasons for its success.

When Queen (after 1948 Princess) Wilhelmina died in 1962 the Het Loo she had loved and lived in was a much altered 17th century house, its brick walls concealed by white plaster put on by Louis Napoleon, the sash windows replaced by shuttered Empire casements and the elaborate baroque garden swamped by a simple landscape of lawns and trees.

To decide to recreate the exact spirit of the 1690s in the exterior and gardens was a bold decision. In the interiors it was decided to restore the very best William and Mary rooms and to add to them rooms that illustrate the prevalent tastes of later owners. The result is neither a palace nor a museum —it is palatial and at times it is museum-like, but the whole adds up to an inventive recreation of the spirit of the past.

King William III's physician, a Dr Walter Harris, left behind an important document, *A Description of the King's Royal Palace and Gardens at Loo, 1699.* He attributed the garden to Daniel Marot, and the broderies and parterres do have all the richsess of pattern that is to be found in a piece of damask by Marot. The great triumph of Het Loo is that it is possible to sense the unity of the 17th century designer's work. His hand is evident in the metalwork, furniture, wall hangings, trimmings and in every baroque curl of the garden design. The colours of the marbling, silk and leather are based on the most scrupulous research.



A view of the house and gardens of Het Loo as it appeared in 1700 and almost as it appears today

Visitors to this Dutch display should be warned that there is too much to see in one day. To enjoy the garden fully takes an afternoon. Visitors are asked to follow a prescribed route through the palece that is roughly chronological. The black-and-white floored marbled hall is a restrained start to the tour but the golden gates on the garden front—newly made to Marot's design—are a foretaste of the riches of the garden.

The dining room by Marot, known as the new dining room where the King-Stadtholder dined in public view, has an original ceiling and excellently restored gilding, marbling and military devices. There is a hint of the brightness to come in the red cloth on the long table and the bright blue cushion upholstery of the high-backed chairs.

There are two totally reconstructed interiors — William III's library and his picture gallery, both on the first floor. The library is most remarkable for its mirrored ceiling; at present it lacks sufficient books —a curious lapse. The picture gallery is one of the most convincing rooms, hung with a dull but appropriately closely-gathered selection of paintings on dark green damask walls. The damask is arranged as Marot insisted, hanging full and loose with fringes. There are festoon curtains and white linen Roman blinds. The whole effect is perfectly lit and is a vision of controlled sumptuousness. Both the King and Queen's bedchambers are authentically restored.

The King's room is initially most shocking because of the choice of colours. Inventories describe the wall hangings in 1713 as "aurora" but they have been woven in a vivid shade of orange with blue trimmings, and the bed hangings are blue. It is hard not to think of the original colour being closer to gold but perhaps nationalist sentiment entered the dyeing process. There are other surprises: the Chinese-style ceiling in William IV's cabinet, some marbling of an intense pinkness, mauve panels on the shutters and the simplicity of the single white curtains.

The rooms that demonstrate the taste of monarchs of later periods are equally fascinating and some of them convincingly evoke both their period and the personality of the occupants. William II (1792-1849) married a Russian Grand Duchess and their neo-Gothic furniture is something of a revelation. There is the 1880s feel of Queen Emmas' crowded room, and the last room on the route is a reconstruction of Queen Wilhelmina's work-room — a shrine to her heroes who included President Kruger.

There is not space to tell of all the glories of the garden restoration. It is so exactly right that only a visit can give the total flavour. The sound and scent of the garden have been carefully considered and the plants and gravels used for the parterres perfectly chosen. Many of the plants were collected as specimens and there is a corresponding lack of that sense of dreary uniformity found in so many European formal gardens. There are peonies, hollyhocks, mallow and valerian among the clipped box and yew. Only the Venus fountain lets the garden down—the Tritons and the scale of the fountain lack the care and quality that has been lavished everywhere else. A pity this because it is a focal point of the layout.

The sort of skill and care that the architect, Baron van Asbeck, the director of Het Loo, Dr Vliegenthart, and many other experts have given to this restoration make it one of the most important in Europe. It cost Fls 80m (£18.3m) and can only improve as some of the newness calms down and the gardens mature. It is a model for places like Ham House and Hampton Court.

SNO/Exhibition Centre, Glasgow

Arthur Jacobs

It was announced as Jon Vickers's first appearance in Glasgow. But, by the Canadian tenor's own testimony, it was more than that—his first appearance anywhere in Scotland, though his international career in opera has spanned almost 30 years. The occasion was last Saturday's musical inauguration of the Scottish Exhibition and Conference Centre by the Scottish National Orchestra under Neeme Järvi.

Waiting endlessly to acquire its own purpose-built auditorium, the orchestra rightly seized the opportunity to mount a fund-raising concert in the smallest of the new Centre's five halls. The hall is no godsend to music: its 1,700 seats fan out sharply from the platform to about double the platform's width, giving some patrons an uncomfortably sideways view. The acoustics made the brass and timpani too loud in the *Meistersinger* overture and almost submerged some of the woodwind solos. But later the sound seemed to adjust better to its surroundings, and the seriousness and subtlety shown in two popular overtures, Verdi's *The Force of Destiny* and Rossini's *Wililam Tell* enabled the visitor to sense the current high level of achievement by the orchestra and its Estonian principal conductor.

It should be the firm resolve of Stephen Carpenter, appointed last week at the age of 28 to be the orchestra's new general administrator, not to let another operatic concert take place without providing full texts and translations in the printed programme. Mere summaries of episodes in the plots did little to support Jon Vickers's selections from Beethoven (Florestan's prison aria from *Fidelio*), Wagner (two excerpts from *Die Walküre*), Verdi (the hero's death-scene from *Otello*), and Cilea (Federici's lament from *L'Arlesiana*).

Sensitive as ever both to the word and to the musical phrase, Vickers at 59 still has a voice not merely to be remembered, but to be heard—perhaps best, on this occasion, in *Fidelio*, where an inevitable vocal strain on high A and B flat could mirror the dramatic anguish of the character. Whether looking heavenward for his vision of Leonora, or downward on Desdemona's dead body, Vickers brought an actor's art—powerfully but never crudely—into his performance. The Cilea item, cherished by Italian tenors, hardly belongs in Vickers's realm and was ended by an uncomfortable suggestion of a glottal cut-off.

Though the CD re-issue of the Karajan recording of *The Ring* reminds us of Vickers' greatness in the role of Siegmund, the isolating of "Ein Schwert verhiess mir" and "Winterstürme" does not really convince. Indeed, it was because the singer's items were all either sad or sawn-off that one missed a final sense of exhilaration. An Italian tenor would have repaid the generous applause with an unashamedly popular encore; it is, I suspect, a kind of lofty puritanism in Jon Vickers which regrettably prevents him from doing so.

A festive, inaugural occasion like this surely deserved a Scottish or at least a British musical item—an excerpt from Britten's *Peter Grimes* with Vickers, perhaps?

Northern Ballet's London season

The Northern Ballet Theatre is launching its first season at the Dominion Theatre on October 28 with the London *première of its new, full-length* ballet *Othello*, produced and choreographed by Robert de Warren and designed by Peter Farmer.

There will be another performance on October 29 and the

The week-long season continues with a triple bill programme of Birgit Culberg's *Miss Julie* with Rudolf Nureyev as The Valet, Robert de Warren's *A Midsummer Night's Dream*, Act Two, with Yoko Shimizu and Michael Corder as Titania and Oberon, and a new work by the Italian choreographer Amedeo Amodio.

The season ends on November 1 and 2 with two performances of *The Nutcracker*, choreographed and produced by André Prokovsky.

Donizetti in Dorset

Andrew Porter

The second of two Donizetti operas called *Gabriella di Vergy* was brought to the stage for the first time ever at the end of August by the Dorset Opera, which performs in the hall of Sherborne School. Donizetti composed his first *Gabriella* in 1826, apparently for his own delight and instruction, as an exercise in handling the stuff of romantic melodrama; it has never been performed. His *second Gabriella, of 1838*, incorporates just a little of the 1826 score (two choruses and one section of a duet) and a few passages from other operas, but essentially it is a new and different work. It was the last opera of his Neapolitan period. But Mercadante's *Gabriella* was performed instead; Donizetti reused some of his music in *Adelia;* and *Gabriella* all but disappeared.

A few years ago, Don White and Patric Schmid turned up a manuscript copy in the *Stirling* Library of London University; in 1978 Opera Rara recorded the piece, and a concert performance was given in Belfast. *Before that, Gabriella had* been known (insofar as it was known) only by a posthumous pasticcio, cobbled from parts of the 1826 and 1838 scores and from various other things, re-orchestrated, and provided with a new text. This debased *Gabriella* was produced, without success, in Naples in 1869.

It is exciting to encounter a new Donizetti opera, and the *1838 Gabriella (not to* be confused with *Gemma di Vergy*, an 1838 opera whose action is set some two centuries later) dates from one of Donizetti's best periods, that of *Roberto Devereux* and *Poliuto.* A few rum-ti-tum episodes apart, it contains admirable and moving music. The plot is simple, with a grisly end. The soprano, Gabriella, believing the tenor, Raoul, to be dead, has acquiesced in a loveless marriage to Fayel, Count of Vergy. But Raoul turns up, very much alive. When Fayel finds him at *Gabriella's feet, the two men* fight a duel. Fayel wins, and delivers to his wife her lover's heart on a platter. Gabriella expires of grief.

*There are adventurous depar*tures from convention. Second verses of cabalettas are, more often than not, not straight repeats: counterpoints, commentary, and *interjections* from other characters are composed in. Applause at the end of numbers is on occasion obviated—and dramatic *impetus maintained*—by beginning the next recitative over the instrumental coda. The men's duet of defiance has an adagio movement in dulcet thirds and sixths, suggesting—if not altogether appropriately —Lensky and Onegin before their duel. The passage is adapted from the 1826 *Gabriella*, in which Raoul was a mezzo *en travesti;* such *writing for tenor and baritone* is rare, and striking.

Still, as William Ashbrook remarks in Grove, there is scarcely a Donizetti opera from 1830 onward that does not contain striking novelties of a form and texture. What proves so pleasing about *Gabriella* is the compound of surprising musical events with the regular Donizetti virtues: eloquent, emotional melodies, *whether in* animated or dolorous vein; precise, colourful scoring for the winds; free and energetic inventin; effortless mastery. *This second Gabriella repre*sents the robustly dramatic, more "Verdian" kind of opera adumbrated but not yet attained (to judge by the *excerpts Opera Rara has* recorded) in the more Rossinian 1826 score. Between the two settings came Bellini and his vigorous *canto d'azione*, which Donizetti *admired and* developed.

It is exciting, as I said, to encounter a new Donizetti opera. A quarter-century ago, *this page was in the van of the* Donizetti revival, proclaiming the merits of the once-scorned composer as displayed, in work after work, at St Pancras and in Italian houses fired by the revelation of the Scala *Anna Bolena* with Maria Callas. Routine performances then brought something of a reaction, but at the Dorset *Gabriella* one could recapture that first, almost uncritical enthusiasm. The singing was accomplished. The orchestra—drawn largely from the Bournemouth Symphony—was excellent. The *chorus—drawn* largely from Sherborne School and Sherborne Girls School—was large, bright, and sure. Robert Glen's production, in simple, *well-devised sets by* John Hodgkinson, was straightforward and stylish, based on trust in the effectiveness of the piece as the composer wrote it. Patrick Shelley's conducting was sensitive to the grace, to *the charged emotional* content, and to the brio of Donizetti's score.

Marie Slorach was a moving Gabriella who produced some *fine-spun cantilena and phrased* delicately, although she was not always quite pure of timbre in outburst. Justin Lavender's Raoul was honest, assured, and fluent. Best of all was the Fayel of Peter Savidge, a young singer with a direct, unforced, unspoiled baritone, with a firm, confident stage *presence, and with reserves of* tone that, in the small house, proved thrilling. All in all, this unaffected *Gabriella* had a youthful freshness, a naturalness, a conviction, and a feeling for the force of the music that made it one of the most *rewarding Donizetti perform*ances I have heard in years.

Family Circles/Scarborough

Martin Hoyle

Unusually, the Stephen Joseph Theatre in the Round is reviving an old comedy by its director of productions, Alan Ayckbourn. His new work regularly squalls its lusty first notes in the bracing air of the Yorkshire seaside; but following the fascinating *Woman in Mind*, noted in these pages in June, Mr Ayckbourn has polished up a piece of domestic legerdemain from 1970. Originally entitled *The Story So Far*, it resurfaced on tour with Roland Culver and Celia Johnson as *Me Times Me;* and has been seen under its present name at the Orange Tree, Richmond (Surrey, not Yorkshire).

Obviously ahead of its time, it emerges as *Dear Octopus* with its tentacles in a twist. One summer weekend Edward and Emma prepare to celebrate their wedding anniversary. Their three daughters arrive with their respective menfolk. Jenny, "as thick as a Portuguese gang-plank," in her father's brisk opinion, *dithers domestically in* Laura Ashley maternity wear, constantly on the verge of tears. Her husband Oliver (Russell Dixon, in horn-rims at his most odiously establishment) barely conceals his withering contempt. The organising Polly (Jane Hollowood) reserves her sharpest barbs for wimpish David, but has plenty to spare for the rest of the family; and exuberant Deirdre bursts in with a trouserless young man (in tennis shorts) recently picked up and whisked into a family house party as dotty and unwelcoming as the Bliss ménage in *Hay Fever*.

The ill-assorted (both maritally and familially) gathering is thrown into further tension by the carefully timed revelation, just as the author has milked the domestic jarring for all it's worth, that father is trying to murder mother. As the play proceeds it transpires that *she is blandly returning* the compliment. The righteous panic of the children, with their own emotional mistakes poisonously festering, forms an ironic counterpoint to the cheerful *modus vivendi* of vague Emma and grumpy Edward, despite their homicidal intentions.

The best is yet to come. Of the assembled company — variously glum, bitter and bemused — Emma beams: "Isn't it quiet? What do they say? There's an angel passing overhead." To strobic lighting and Paul Todd's faintly astringent merry-go-round music, a quick onstage costume change effects a marital redistribution; and a few seconds later—the *coup de theatre* rightly won a round of applause—we see the first set of permutations of what might have been.

Earthmother Jenny now happily [illegible] over hypochondriac David; Oliver, still sardonic, has mellowed into good natured acceptance of an ebullient Deirdre. *It is the acerbic Polly* who now dangles a hapless youth on the end of a string. Assuming that we always marry the wrong person, Ayckbourn juggles *partnerships* to reveal that uncomfortable belief in predestination yet again. There is no escape from ourselves, he implies. However he rearranges the *ingredients*, the results are still more sour than sweet.

The last act shows the possible combinations at their most disastrous. "Imagine this in a room full of people," wails ineffectual David as drunken Deirdre passes out in a room full of people. Polly and Oliver are blisteringly well-matched in their shared Hell; Jenny spurns the wretched young man to have their illegitimate child alone. Both want to do the Right Thing and end up fatuously miserable.

The final scene giddyingly mingles all the versions. Over the *Sunday breakfast table the* old couple provide the only constant element. For instance, Jas in tennis shorts alternates with the suited James or casually smart Jimmy. This is a Priestley time play wildly speeded up like an old film. *Farcical pleasures include* a stage littered with the concussed, insensible and apparently poisoned (recalling the immortal *Absurd Person Singular);* but Ayckbourn's comic gifts should never obscure his status as audacious innovator in theatrical technique.

As ever, under the author's direction, the cast excels in the consistency they maintain throughout the writer's variations on each character. Caroline Webster's Deirdre, for example, is a carefully shaded exercise in cheerful extroversion, ranging from happy mindlessness to uncontrolled mockery. Both Lesley Meade and Nicholas Lumley begin a trifle too broadly, but turn in beautiful variations on tremulous domesticity and quavering helplessness respectively. Ben Daniels suffers as the perpetual outsider. Only Geoffrey Banks *and Rhoda Lewis* are too *muted* as the old couple. Far from being central, they emerge as peripheral to the abrasive message of the play's *fatalistic juggling:* there is no escape. The bitchy get bitchier and the boors get nothing. In the meantime, in between time, ain't we got fun?

The Gambling Man/Newcastle

Martin Hoyle

"The way he's looking the last few months is a miracle. There's hardly a mark on him," cry the womenfolk of our hero, previously robbed, beaten up and thrown into the river for dead. *The Gambling Man* is full of such near miracles. The *spinster heiress grooming Rory*, the eponymous hero, for better things, dismisses him angrily on discovering he is married; a few seconds later the yacht carrying *his wife goes obligingly* down with all hands. Janie will, of course, return from the dead — well, amnesia among fishermen — after Rory is hap*pily contracted to the heiress*, now pregnant.

Catherine Cookson's best-seller is probably a rattling good read. On stage the plot's contrivances merely look improbable as Ken Hill's adaptation does little to establish any *background* — *Newcastle*, the turn of the century — or add any depth to the pasteboard characters as they move from one event to the next with the *simplest of motivations.*

Mrs Cookson, a local celebrity, was present at the Newcastle Playhouse for the TyneWear company's première. The most *distinguished contri*bution comes from Rob Jones's sets: plain brick walls close or slide apart, suggesting hopeless vistas of poverty or the cold *spaciousness of privilege.* Mrs Cookson calls herself a storyteller rather than a romantic novelist, and the production's bald narrative style skates over the hero's alleged gambling, and why his best friend, unjustly jailed but loyally silent, should reappear *to pay a weepy* tribute at his betrayer's funeral. Ours not to reason why.

Still, the local audience "aahed" the children and the little dog; and Brendan Price walks confidently through the role of thet hero doomed to die by Mrs Cookson's otherwise *inextricable plotting*, leaving a discreetly bigamous widow (Jenny Stoller) to mourn and a real one to return disgruntled to the fisherfolk. John Hannah shows promise as the sibling victimised by Tyneside gangsterism (was Victorian Northumberland really riddled *with protection rackets* and illegal gambling dens?). Brendan Healy almost lends subtlety to the wronged friend. The conclusion, when Rory's *rickety half-brother and obese* unmarried mother move into the posh house to comfort the widow with exclamations of "You've got family!" (which *family she needs like a hole in* the head), promises to turn into *Live Like Pigs.* But I suspect this is the happy ending.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Sept 6–12

Music

NEW YORK

New York Philharmonic (Avery Fisher Hall): The season opens with a gala benefit celebrating the Festival of India. Zubin Mehta conducts, Ravi Shankar is sitar soloist in a programme of Shankar, Ravel, Beethoven (Wed); Mehta conducting, L. Subramaniam violin, John Cheek bass baritone: Copland, Subramanian, Sohal (Thur). Lincoln Center (8742424).

VIENNA

Vienna Hofburg Orchestra conducted by Gert Hofbauer. Waltzes and Light Opera. Musikverein (658190). (Thur). Sofiensaal (Tue).

Vienna Bach Soloists led by Ernst Wedam: Bach, Handel. Minoritenkirche (Thur). (635575).

TOKYO

Thomas Muller-Pering (guitar): Bach, Scharlatti. (Mon). (Luther Ichigaya Hall); Thurs: Rodrigo, Henze, Albeniz, Vario Hall, near Tokyo University (8181690).

Kyoto Symphony Orchestra, conducted by Seiji Ozawa: Takemitsu, Tristan Murail, Murray Schafer. Showa Women's College, Hitomi Memorial Hall. (Tue). (5740069).

Israel Philharmonic Orchestra, conductor: Leonard Bernstein. Brahms and Bernstein. NHK Hall. (Wed). (7232356).

LONDON

BBC Scottish Symphony Orchestra conducted by Jerzy Maksymiuk. Mozart, Martin Dalby and Tchaikovsky with Iona Brown, violin. Royal Albert Hall (Mon). (5898212).

BBC Symphony Orchestra conducted by Lothar Zagrosek with Anne-Sophie Mutter, violin. Mendelssohn, Brahms, Mozart and Johann Strauss II. Royal Albert Hall (Tue).

Swedish Radio Symphony Orchestra conducted by Esa-Pekka Salonen with Lena Hoel, soprano and Hakan Hagegard, baritone. Sibelius, Ingvar Lidholm and Mahler. Royal Albert Hall (Wed).

Swedish Radio Symphony Orchestra conducted by Sixten Ehrling with Shura Cherkassky. Stenhammar, Tchaikovsky and Prokofiev. Royal Albert Hall (Thur).

English Chamber Orchestra conducted by Jeffrey Tate with Isaac Stern, violin and Thomas Allen, baritone. Mendelssohn, Copland, Broch, Mozart and Rossini. Royal Festival Hall (Thur). (9283191).

PARIS

La Grande Ecurie et la Chambre du Roy conducted by Jean-Claude Malgoire: Bach, Schutz (Mon 8.30pm). Saint-Severin Church.

Michael Levinas, piano: One hour with Brahms (Tue 6.30pm). Sorbonne, Amphithéâtre Richelieu.

Jean Guillou, organ recital: Bach (Wed 8.30pm). Saint-Germain-des-Pres Church.

Nouvel Orchestre Philharmonique de Radio France conducted by Moshe Atzmon, Dominique Merlet, piano: Mozart, Ravel, Honegger (Thur 8.30pm). Unesco, Hall 1.

All these concerts are part of the 20th Festival Estival de Paris (3548496, 5624080, 11am–7pm, Sundays excepted)

Paul Kuentz Orchestra and Choir: Brandeburg Concertos in different versions. (Tue 9pm). Saint-Severin Church (6338761).

Look, No Hans!/Strand

Michael Coveney

John Chapman and Michael Pertwee, the authors of this embarrassingly unfunny new farce, are past masters in the Whitehall tradition. "Past" is obviously now the appropriate epithet, for I yield to none in my admiration for Mr Chapman's *Dry Rot* and, especially, *Simple Spymen*. Mr Pertwee's pedigree is more contestable. The Moira Lister vehicle *Birds of Paradise* at the Garrick some years back was a memorable *low point in post-War British* farce.

Espionage in *Simple Spymen* was an excuse for delirious mayhem, innocuous jokes about *foreigners and plotting of* drilled and complex precision. Espionage as a theme in *Look, No Hans!* (these over-punctuated titles never bode well) is of the industrial variety, crudely worked into tired sexual capers, and involves the smuggling by the eponymous hero (whom we never see) of a formula for a battery-charged sports car over the Berlin Wall. *Delirium does not enter into it.*

Waiting in West Berlin is the *jumpy bug-eyed car salesman* Fisher, a man for whom selling British cars in West Germany is akin to trying to flog pork sausages at a barmitzvah. David Jason plays this compulsive joker and whisky-bibber rather *like Dudley Moore on speed and* with technique. Jason's television popularity is no flash-in-the-pan; he is a genuinely funny *actor, very fast and, like* Groucho Marx, close to the ground. Athletic too. I wish him good luck when he finds a vehicle worthy of his talent.

He plays the sort of character for whom whenever one door closes, another one closes. His filing cabinet has a mind of its own, bonking him on the head *or kicking him in the shin when*ever a doorbell or a telephone rings. A safe door is tugged open, flinging him into stratospheric no-man's-land *after he has shinned up the* wallpaper like Spiderman to tackle the code number.

When his stooge arrives in the pinstriped unflappable shape of the ever-reliable Richard Vernon, Fisher fails to recognise the password ("I've come about a car"). Vernon plays Cadwallader (who else?), a top dog in British Industrial Espionage. But Fisher's private life, as chaotic as it is unlikely, proves more of a challenge to *Cadwallader's* resources of credulity and concentration—not to mention ours —than does "Operation Hans."

Fisher's wife (Linda Bellingham) has been packed off to the airport, only to return the minute Heidi (Heather Alexander) has installed herself to pick up with Fisher where he has adulterously dropped off. A "kiss-o-gram" girl Mitzi (Anita Graham) with a birthday message then storms the apartment *in a pink tutu. Both are passed* off as domestic servants, and both are extremely well-built, statuesque and conspicuously bird-brained. Heidi is married. Mitzi is a stripper from Hamburg. Their last-gasp companion in confusion is a butch executive (*Charmian May*) whom Fisher believes to be Hans in drag and whom he proceeds to compliment on the cunning rotundity of his breasts, with much cupping and fondling of the adjacent air.

The girls hide in cupboards, either suffering from prickly heat (sic) or trying to make an omelette by draining the egg through its shell. The latter *stages of Mike Ockrent's broken*-backed and cliché-ridden production resort to a feeble semaphore gag which Jason attempts to animate by drifting into a Morris dance, and a finale of such banality—an SAS-style *escape act* and a series of tame revelations about Heidi's identity, and the wife's, and the nature of the video parcel—that you fear for the reputation of *the once glorious and* not to be despised genre of British farce. These are mere throwback offcuts trundled out on automatic pilot and what the distinguished producer Michael Codron is doing with them all (*apart, presumably, from hop*ing to make a few bucks), I really don't know.

Saleroom/Antony Thorncroft

Tuning up for the autumn

The major London salerooms *do not open from their summer* hibernation until next week but they are starting to release details of their major sales of the autumn. Undoubtedly the biggest event will be Sotheby's auction of musical instruments on November 14 when it is offering three violins and a cello by Stradiviri, which should all exceed the current auction record price for a musical instrument. The "Lady Blunt," violin could even top £1m: it set an auction record of £84,000 when it last appeared at Sotheby's in 1971.

A sale of orders and medals on November 7 has a more *homely appeal: it includes the* DBE awarded to Margaret Rutherford, which, along with her Variety Club Silver Heart, could make £2,000. The sale also offers a rare *Order of Merit* (that of Augustus John) for about £3,000.

Other highlights on offer at Sotheby's include a complete Carolingian Gospel Book of the 9th century, previously unrecorded, which is expected to fetch around £250,000 on November 26, and a portrait by David of a man, which Sotheby's is reluctant to estimate a *price for. on offer the* same day.

There is an interesting pre-Christmas wine and spirit auction on November 27 which includes a large section of armagnacs, dating from 1893 to 1975. A litre of the 1893 should go for £180. All the armagnac has been given, with the proceeds helping that most *ancient of good causes* the Knights of Malta, the Hospitallers.

Our most contemporary charity is the beneficiary at Sotheby's on November 4 when 35 portraits taken by David Bailey of artists participating at the Wembley *Live Aid* concert go under the hammer. The photographs, which include Bob Geldof, David Bowie and Elton John, are from a *limited edition of five prints* and will be signed by Bailey.

In its time Christies has held some impressive studio sales, including those of Gainsborough, *Reynolds*, Sargent and Augustus John. It is holding another two in the next few weeks, not perhaps as illustrous but of interest.

On September 25 it is selling up the studio works of the *society* portraitist Frank O. Salisbury, who undertook many Royal commissions, and, on October 5, the studio of Colin Middleton, the Irish artist, comes under the hammer.

On September 26 and 27 *Christie's is selling off the estate* of the dealer Geoffrey Bennison, including the contents of his Audley Square flat and the remaining stock of his Pimlico Road shop. Bennison was a character who also possessed knowledge and flair and the antiques and art world will doubtless be keenly interested in securing a memento of the man.

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Egypt's urgent economic task

FOR NEARLY four years President Hosni Mubarak has provided Egypt with a calm, cautious leadership in conscious contrast to the political pyrotechnics which were so much the hallmark of his two predecessors, Presidents Nasser and Sadat.

In foreign policy, Mr Mubarak has broadly accepted the Sadat inheritance. The peace treaty with Israel has held despite the 1982 invasion of Lebanon, an unresolved border dispute and the total failure to demonstrate any progress towards the resolution of the Palestine issue. President Mubarak has aligned himself with King Hussein of Jordan in the latest peace initiative and there are other indications of a slow thaw in the Arab diplomatic freeze imposed on Egypt after the 1978 Camp David accords.

Domestic policies

If Mr Mubarak has proved broadly reassuring to the West in his handling of international relations, the same judgment cannot be made so easily of his domestic economic policies. The appointment of a new government at the end of last week suggests that he has been forced to recognise the darkness of the economic clouds which are again gathering.

Mr Mubarak took office in October 1981, determined to make the economy his top priority. A series of studies confirmed all that had been already known about the structural weaknesses of the economy, at the root of which is a population growing by about 1m every 10 months. Possible solutions differed little from those proposed by the International Monetary Fund when Egypt ran into critical balance of payments problems in 1977. Mindful of the week-long rioting which followed President Sadat's attempt to reduce subsidies on basic consumer items, Mr Mubarak opted for a very gradual approach to the vital task of limiting the growth of imports and controlling the size of the budget deficit.

His very modest achievements in this sphere have, however, been alarmingly outstripped by the deterioration in Egypt's hard currency earnings. Remittances from Egyptian workers employed mainly in Arab oil-producing states are falling as are Egypt's own crude oil export revenues, while earnings from both the Suez Canal and tourism remain at best static. Attempts to stimulate exports have so far proved disappointing and current IMF predictions are for a trade deficit this year of about $6bn and an overall balance of payments shortfall of around $1.5bn. With a total external debt of some $31bn a debt service ratio of 35 per cent of total current account receipts and reserves sufficient to cover less than three months imports, the medium-term outlook is extremely bleak.

Mr Mubarak has chosen an economist, Dr Ali Lutfi, to head his new government and a Cabinet team which, while containing some deserved promotions, has a distinctly technocratic look and has generated little political excitement.

This is likely to prove its most serious deficiency. Mr Mubarak himself is not noted as a great communicator or a natural politician and the vital need over the coming months will be to explain and justify worsening economic conditions to an already deprived people.

Extremist groups

Any signs of popular disaffection are certain to be exploited by Islamic extremist groups which are already attempting to flex their political muscles and by external enemies such as Col Gaddafi of neighbouring Libya, who continues to work for a popular revolution in Egypt. The threat to Western interests and to Middle East stability are all too clear should Mr Mubarak fail to meet the challenge he is facing.

Unlike 1977, Mr Mubarak cannot be at all confident that this time the Gulf states will provide an emergency $2bn and it is to the U.S. he will look for a significant increase in the over $2bn a year it currently provides in civil and military aid. The response of President Reagan and other Western and friendly Arab governments will undoubtedly be influenced by the speed and determination with which the new government appears to be contributing to a solution, the broad lines of which are contained in all IMF studies for the past decade.

Britain's SDP comes of age

ONE OF the striking factors as the British party political conference season opened in Torquay at the weekend is the extension of security. The police are ubiquitous, though courteous. This is a fact of British political life that is going to have to be lived with until terrorism is reduced.

The news about the Social Democrats, who are appearing first, is how the party has grown. This is a far cry from those itinerant conferences in Cardiff and Derby a few years ago when the television cameras concealed the paucity of the attendance. It is also a major advance on the conferences in Salford and Buxton in the past two years when the party settled down to a single venue. The SDP now looks like an established part of the political scenery. It is a big conference, not a fringe meeting. The party seems less of a one man band than it did when Dr David Owen took over as leader.

There have been other gains. Liberals and Social Democrats at Torquay mingle quite freely to the point where it is not always easy to tell, unless you know in advance, to which party they belong. There is every sense of an Alliance which has grown fast and is still developing. Mr David Steel, the Liberal leader, went down very well in his speech to the conference yesterday. Even the differences between the two parties on defence policy seem much diminished.

Serious

Some of the reasons for cheer are obvious. The Alliance has shone recently in by-elections, local elections and the opinion polls. Mr Steel's old challenge that it must prepare for Government is being vindicated, at least at the local level.

It would also be hard to argue after listening to yesterday's debate that the SDP is not serious about politics. It is serious to the extent of earnestness.

Yet if the Alliance is riding high, it probably has more problems than generally meet the eye. The Liberals have been making a come-back in terms of the popular vote and by-election successes for a long time. What is still not clear is whether the formation of the Alliance has simply accelerated the process or whether the SDP can provide it with a hard policy core that could bring it to victory at a General Election, or at least a substantial share in power.

It is ironic, but entirely feasible, that the SDP could be the victim of its own success. Mr Roy Jenkins, Dr Owen and their colleagues left the Labour Party because it seemed to them to be beyond redemption. That belief is no longer so easy to justify today. Labour under Mr Neil Kinnock looks an altogether healthier outfit than at the time of the last General Election.

Possibly that is a tribute to the SDP: the Labour Party needed the defections in order to come to its senses. There is also, however, a tribute to Mrs Thatcher. The Conservative Party may be currently in the doldrums. Yet it would be hard to deny that the Prime Minister has changed the political landscape. Privatisation and the reduction of union power are making Britain a different place. Even Mr Kinnock acknowledges it and is steadily abandoning old Labour policies. The Alliance cannot easily gain much more support from traditional Labour ranks.

Option

It can gain from the Conservatives, as the results of the by-elections and the public opinion polls show. But as Labour picks up, it may be difficult to gain much more. A Tory cry of "Don't vote Alliance because you'll put Labour in" could be a powerful one at a General Election.

If a new common political ground again developed, the Alliance could also lose the option of simply going through the middle by arguing that it is the only non-extreme political grouping. It might be squeezed by the two big parties.

The challenge to Dr Owen and the rest of the Alliance is, therefore, very clear. It is to take on both major parties for not being radical enough. Dr Owen repeated at a press conference yesterday that the party had its "Bad Godesburg" in Buxton last year—a reference to when the West German Social Democrats abandoned Marxism and embraced market economics, and consequently came to power. His keynote speech to the conference on Wednesday must provide the strongest possible reaffirmation that the SDP is a radical, reformist party.

POLICIES UNDER ATTACK

Why Reagan and the Congress are clashing

By Stewart Fleming in Washington

Senator Robert Dole

President Reagan

THE opinion polls are telling a fascinating tale about the political mood in the U.S., one which should have set the alarm bells ringing in the White House but which has not.

President Ronald Reagan, according to the latest Gallup Poll published by Newsweek magazine is much more popular than his policies. That, in itself, is not new. Indeed, it has been a regular feature of the Reagan presidency.

What has changed is that on Capitol Hill politicians of every stripe, Republicans as well as Democrats, are reacting against a President who they suspect has lost touch with the political realities they are confronting.

Fellow Republicans, including the Republican leadership in the Senate, are distancing themselves from the President on issues ranging from the budget to the trade deficit, farm policy and South Africa. The talk in Washington increasingly is of Bills which the President will have to veto in order to retain political credibility and whether Congress will be able to override him.

The first test is expected this week when the Senate is due to pass legislation — approved already in the House — to impose mild sanctions on South Africa. The President has strongly opposed sanctions but only now, as with his shift in trade policy, is the White House manoeuvring to try to head off the threat that Mr Reagan could start the new congressional term with a stunning political defeat.

Behind the growing gap between moderate Republicans on Capitol Hill and the Republicans in the White House is the fear that, far from helping them get re-elected to Congress in next year's mid-term elections, the policies Mr Reagan is pursuing will lose many of them their jobs and cost the Republican Party control of the U.S. Senate.

The Democrats, for their part are growing more confident. The White House is sticking to its ideological conviction that the size of government, not the budget deficit, needs to be reduced, and clinging to optimistic economic forecasts which it hopes will help to make its dreams reality. By doing so the Democrats sense that Mr Reagan is not reacting to issues which they may be able to exploit.

"You are looking at excessive over-reaching on the ideological front," says Mr Kevin Phillips, a former adviser in the Nixon White House. Like President Franklin Roosevelt, Lyndon Johnson and Nixon himself, Ronald Reagan, he argues, is now trying to force on the American public a view of society which is more extreme than the middle-of-the-road American voter is ready to accept.

Changes in staff earlier this year have reinforced this tendency. Most of the battle-scarred and experienced political campaigners who guided the President through his years as Governor of California and his first four years in Washington—men like Mr Ed Meese, Mr James Baker, the Treasury Secretary and Mr Michael Deaver, who masterminded the television appearances which helped Mr Reagan to dominate his political opponents—have been removed from the White House.

They have been replaced by former Wall Street stockbroker Mr Donald Regan, whose determination to turn the White House staff into a smoothly running corporate office has led to clashes with Mr Rober McFarlane, the National Security adviser. It seems that discipline has been achieved at the expense of imagination and flexibility.

Since taking over as White House chief of staff earlier this year, Mr Regan has continued to demonstrate a lack of political finesse. He has failed to rally support for the President's programme on Capitol Hill and his insensitive dealings with Senator Robert Dole, the powerful Republican majority leader, and his high profile which has him tagged as "deputy president" in the Press, has not helped the White House politically.

Says Dr Norman Ornstein, a political scientist at the American Enterprise Institute in Washington: "Don Regan has been a disaster." He contrasts Mr Regan's White House with the President's first team when James Baker was chief of staff. "Baker recognised the root of the President's success lay in congressional relations." Mr Regan, by contrast, has managed to cross some of the most powerful Republicans in the Senate, notably in his handling of this year's battle over the Budget resolution.

The tensions which these conflicts of policy and personality have created are about to erupt in public. Today the Senate reconvenes in Washington and over the next few weeks the dimensions of the battle over the Reagan agenda will begin to take shape. There are uniform predictions, in the words of Texas Democrat Senator Lloyd Bentsen, that the coming session of Congress will be "as contentious a session as I have seen" in 14 years on Capitol Hill.

Unless Mr Reagan is able to score the impressive victories which have eluded him in the first eight months of his second term, the question of when his presidency enters its "lame duck" phase will no longer be moot.

Already there are signs of Congressmen beginning to give greater weight in their decision-making to their narrow political self-interest at the expense of broader public policy considerations.

There is almost universal agreement in Washington outside the President's most loyal supporters that the first eight months of his administration can be summed up as a succession of missed opportunities. The White House failed to set itself a clear agenda; and it found itself walking in the wake of events, including the controversy over the President's visit to the Bitburg cemetery in West Germany.

Mr Reagan failed to dominate the budget debate and was forced to retreat on defence spending without securing the budget spending cuts he wanted. Then, after struggling, successfully, with the Beirut hostage affair, he was forced out of action by a cancer operation. This has raised unresolved questions about his long-term health and vigour and helped to cram the political calendar. Many political analysts say that the White House faces yet another period when it will be reacting to, rather than shaping, events.

The core of Republican concern about Mr Reagan's leadership is unease over the economy. Mainstream Republicans such as Senator Dole insist that the President and his advisers are making a serious mistake by putting tax reform at the top of their legislative agenda.

They fear that the issue will provoke divisive special interest lobbying without exciting a cynical middle class which seems to have decided it has more to lose from the proposed loss of tax deductions than it has to gain from increased "fairness." There is concern, too, that tax reform will distract attention from other topics and a suspicion that this is precisely what the White House wants to do.

As for the economy, the growth and vitality which characterised the recovery from recession in 1983 and 1984 have disappeared.

The growth and vitality which characterised the recovery have disappeared

The Federal Reserve has been pumping up the money supply to head off the threat of a sharper slowdown. But there is concern that the Fed now has little room left for manoeuvre.

The sluggish economic performance has weakened one of the pillars on which the President built his electoral triumph last year. It is also helping to ensure that on a number of specific issues his opponents in Congress and the growing band of sceptical Republican allies, will over the next few months be adopting positions which will embarrass the White House.

Trade policy is one. There are over 200 more or less "protectionist" Bills sitting on Capitol Hill, a reflection both of the fact that America's trade deficit is rising to a record $150bn this year and of shrinking levels of employment in the manufacturing sector. Industries as diverse as textiles and computers have been hit by import competition.

Politicians from both parties in Congress are pressing for action to address the import challenge. They see the strong "free trade" stance that the White House has adopted, most recently when it turned down the shoe industry's request for import curbs, as an inadequate response to the foreign challenge.

Partly because of the President's gut "free trade" instincts, partly because of concerns about the international repercussions and partly because it senses that the Congress is too divided to pose a strong political challenge on trade, the administration is planning to ride out the protectionist storm with as few concessions as possible.

Republicans fear that by taking this stance the White House is handing the Democrats an opportunity to use the trade issue both to attack the President on the administration's economic policy in general and win votes in communities where the high dollar, rising imports or weak exports, are hitting voters hard. Mr Phillips warns that the Democrats could also try to seize a share of the "patriotism" issue — which the President has turned so shrewdly to his advantage — and present themselves as the defenders of American industries and jobs.

Farm policy is another area where these economic and political cross-currents are at work. The farm crisis is expected to erupt again in Congress which must approve a new farm bill by the end of this month or let an outdated and more expensive farm support scheme come into effect. The White House's efforts to cut subsidies and let market forces loose in the farm sector is not winning votes in a farm economy which has not been hit so hard since the depression of the 1930s. Republicans led by Senator Dole who represents a farm state, Kansas, are pressing for more generous farm support while the Democrats are presenting themselves as the defender of the American farmer and hoping to make gains in the traditional Republican farm belt stronghold. Republican senators such as Charles Grassley of Iowa are distancing themselves from the White House in the face of this challenge.

In some areas of foreign policy, too, the White House can expect to run into strong opposition to its policies from both Republicans and Democrats in Congress. Near the top of the legislative agenda this month will be a South African sanctions Bill which Congress is now expected to send to the President.

The White House, in the face of events in the past few months in South Africa, is perceived to be backing away from its policy of "constructive engagement" with Pretoria. But South African experts argue that it is already too late. They complain that Mr Chester Crocker, the State Department official who is the architect of southern African policy, has burnt his bridges to the black leadership in South Africa.

As they sense that they have a harried administration on the run, the Democratic leadership will waste no time seeking to exploit other opportunities. Thus although there is a clear, if tacit, agreement in Congress that neither party will do anything ahead of the November summit with Soviet leader Mikhail Gorbachev to undermine the President's negotiating position, he can expect no mercy on his return if that meeting should rebound to Mr Reagan's disadvantage.

The tide of events is such that it is easier to list the pitfalls which Mr Reagan is facing than the victories he is assured of. Even the budget battles are not over and Democrats are showing signs of wanting to re-open some of them through the Congressional appropriations process and the imminent vote on increasing the Federal Government's debt ceiling.

But politicians of both parties are well aware that they can be struck by the unexpected. A strong economic upturn or a sudden foreign policy victory, say, at the summit in November, could transform the political chemistry in Washington. But Dr Ornstein argues that even if Mr Reagan were to confound his critics by winning some important victories he does not have a viable political agenda to capitalise on.

But the President's foes and critics sense he is politically vulnerable. The world's financial markets are already sensitive to this change of mood. That is something which economic policymakers in Washington and abroad will be bearing in mind at a time when the U.S. is dependent as never before on foreign capital inflows to keep its economy moving forward.

Men and Matters

Abdullahs field new player

The Abdullah brothers, Osman and Raschid, have been teasing the City as to whether Evered Holdings, their Surrey-based engineering company, will launch a cheeky bid for the much larger TI Group.

Their bland public announcements have been the subject of close but necessarily inconclusive analysis.

Today there comes a new and more substantive item for the rumour mill to digest. Evered has appointed an additional member to its board in the shape of John Ford who takes up the post of finance director next month.

Ford, aged 38, and an acountant, is moving from Grand Metropolitan where he has been finance and systems director of Berni Inns for the past three years.

After two years with Lonrho in the early 1970s, he spent a further eight working for Thomas Tilling, the conglomerate, later swallowed up by BTR, and then became finance director of the Gascoigne Group of engineering companies.

Analysts will be quick to note that this appointment comes as the TI camp, turning defence into attack, is trying to cast doubt on the depth of Evered's management.

In particular, it has singled out the lack of a finance director. Until now Evered's board has consisted of just two executive directors (the Abdullas), and one non-executive director.

The Evered camp, for its part, is at pains to stress that it has always kept a strong grip on group finances — but until now has preferred to have the financial controller below board level.

Nevertheless, the arrival of an additional director cannot cannot but help a company at present trying to convince institutions that it has the management skills to play David to TI's Goliath.

"... and now the speaker you've all been waiting for—the husband of Jeffrey Archer's literary agent..."

Soap politics

The technique of negative advertising has either touched a new high—or plumbed new depths, depending on the way you care to look at it—in one of the dirtiest campaigns for political office ever seen, even in New York.

The battle is over the office of president of the City Council, the top legislative job in New York, and one that carries plenty of patronage with it.

Backed with multi-million dollar budgets, the two Democratic contenders are slugging it out in a series of tv advertisements which have the slickness of soap powder commercials.

One of them actually uses wash day imagery. It features an old-fashioned wringer and a washing line on which dollar bills are pegged out to dry.

An announcer says "Andy Stein's been going to the laundry." "It seems," the voice goes on, that "once Andy votes to help certain of his big-time developer friends they contribute big bucks to Andy's campaign and that some of the cash ends up in Andy's pockets."

It concludes: "Andy Stein's been going to the laundry—and he's been taking us to the cleaners."

Stein, borough president of Manhattan, has hit back with equally outrageous advertising. Accusing his opponent Ken Lipper of "casting the first stone" his spot features the silky voice of an announcer who comes up with a series of awkward questions.

A sample: "Did you know that Lipper faces almost $3bn in lawsuits for obstruction, collusion, abuse of power, and sweetheart deals?

Lipper was hired as deputy mayor of New York from an investment banking background to help sort out the city's problems when it slid into bankruptcy.

Both he and Stein seem quite unrepentent about their campaigns of abuse and accusation—which stem, it is said, from considerable personal enmity between them.

Mayor Koch, for his part, has been careful to distance himself from the fray. He is employing the caution of a wily politician who recognises that, even if Lipper is a tested comrade in arms, as mayor he may one day have to work with Stein.

Golf after tea

One of the reasons why so many Japanese firms have settled in Wales may be that the Welsh are good at introducing their new colleagues into local customs.

First they invited Japan to send a rugby team to play Wales on the Arms Park in Cardiff, a Welsh shrine of the game. They put on garden tea parties specifically for the visitors, complete with road signs in Japanese.

Taking the hospitality one stage further yesterday Welsh business leaders challenged their Japanese counterparts in Wales at golf. The Japanese put up teams from Brother Industries, Yusa, Sony, Panasonic, Aiwa, and Hitachi.

For the birds

Meanwhile, a party of British journalists visiting Japan has shown scant courtesy, by Japanese standards. They button-holed the host, Nissan's president Yutaka Kume, and demanded money from him.

For once, I'm relieved to report, the journalists were acting in a good cause.

Nissan is building its first British car plant at Washington, Tyne and Wear. They handed Kume a letter from Sir James Steel, former Lord Lieutenant of the county.

In his role as vice-president of the Wildfowl Trust, Steel is seeking cash from Nissan to help keep open the local wildfowl park which is in danger of closure.

City futures

Tomorrow will see a cheerful party in the City when Whitehall mandarin, Sir Peter Middleton, permanent secretary to the Treasury, will step eastwards to launch the new contract for Short Gilt Futures at the London International Financial Futures Exchange.

Anxious to spread the word about the new contract, and its opportunities, LIFFE's publicist, Christopher Morgan, has hired a small team of "sandwich men" to parade the City today with their boards announcing the great event.

And how do you recruit a sandwich board man in 1985?

"Easy," says Morgan, "I rang the Jobs Centre and asked if they had any gentlemen interested in positions in the City."

Observer

FOREIGN AFFAIRS

It may not be just a question of propaganda

By Ian Davidson

Mr Gorbachev greets Senator Robert Byrd at the Kremlin last week.

IF ANYONE was in any doubt about it before, Mikhail Gorbachev's long interview in Time magazine shows him to be a very impressive performer indeed; fluent, confident, subtle, well-informed and — yes — plausible. He comes across as a man who earnestly wants to reach agreements with the United States, and he manages to make his arguments seem appealing, almost reasonable. Mrs Thatcher judged him a man she could do business with; President Reagan may find him a man whom it would be dangerous to underestimate.

One of the most appealing and emphatic points in the interview was his complaint that anything and everything said by the Soviet Union is dismissed in the West, and especially in Washington, as mere propaganda. This could indicate one of two things: either that he is as earnest as he says about the need for a deal with the U.S., and is irritated and frustrated at not being taken seriously; or else that he is a much subtler propagandist than his predecessors. Probably both.

Of course, the Russians have only themselves to blame if their public declarations tend to be treated initially with wary scepticism. For decades they have poured out such a deluge of declarations which no sentient person could possibly take seriously, let alone literally, that scepticism has become an ingrained reflex.

Part of Gorbachev's problem is, therefore, to get himself taken seriously. Pure propaganda is anything that is self-evidently detectable as such; but there can come a point where it shades off into an ambiguous grey area between diplomatic theatre and the public manoeuvrings on the edge of a private negotiation. Ronald Reagan's much more serious problem is to know where to situate the Time magazine interview along the spectrum between pure propaganda and serious negotiation, as well as the many other hints and declarations that have been emerging from the Soviet Union in recent weeks. Either way, he looks at this stage in the run-up to the November summit in Geneva in grave danger of being wrong-footed by the new Soviet leader.

For there is a major difference between Moscow and Washington in the expectations that they are advertising in advance for the Geneva summit. Gorbachev says: "We have high hopes and serious hopes about the outcome . . . We will do all in our power to make the summit meeting instrumental in improving relations between the Soviet Union and the U.S." And he implies, by the very high proportion of the interview devoted to the subject, that Soviet hopes are mainly focussed on progress in arms control negotiations.

But the U.S., he claims, is taking a much more modest view of the summit: "We hear words to the effect that it is going to be an introductory meeting, only an agenda for the future, things to that effect." This assessment is certainly consistent with what has emerged from Washington, notably the very downbeat assessment recently delivered by Robert McFarlane, Reagan's National Security Adviser.

On the face of it, this American posture of modest expectations is rather peculiar. After all, it was Ronald Reagan who for so long had been openly seeking a summit meeting; and since this will be the first meeting between a U.S. President and a Soviet leader since Jimmy Carter and Leonid Brezhnev signed the unratified Salt II treaty in 1979, it can hardly fail to arouse, throughout the world, very large hopes, if not confident expectations. Moreover, this could be President Reagan's last chance; he may wish to see it as an introductory preparation for a further meeting, but the Russians may not take the same view if this encounter fails to produce substantive results. After so many years of acrimony and suspicion, they might choose to fall back on the option of waiting for his successor.

This is not the way the Russians are playing the hand right now, of course. There can be little doubt that what brought them back to the arms control negotiations in Geneva at the beginning of this year was anxiety about the long-term implications of President Reagan's "Star Wars" programme of research and development into an anti-missile defence system; and there can be equally little doubt, to judge from the Gorbachev interviews, that this same anxiety informs the importance they attach to the Geneva summit. They fear the militarisation of space implied by the "Star Wars" programme; they fear that "Star Wars" will acquire, by its very scale an unstoppable momentum; they fear that America's new anti-satellite weapon, which is due to be tested against a real target in space this month, will become part of an anti-missile system; and they fear that the U.S. refusal to halt nuclear testing is motivated by the desire to develop a nuclear-fired space-based laser weapon.

No-one knows whether Mr Gorbachev is or will be in a position to deliver

To be sure, these anxieties have yet to be matched by a rational negotiating posture on the part of the Soviet delegation in Geneva. There, they have not yet offered the kind of deep cuts in offensive nuclear weapons, in exchange for curbs on "Star Wars," which might seem to President Reagan a bargain he dare not refuse. If anything, the reverse is true:

In public, by contrast, there has been a steady trickle of hints and vague promises from Moscow of all the wonderful improvements there will be in the Soviet offers of cuts in offensive nuclear weapons, if only President Reagan will give up his "Star Wars" ambitions. More than one Soviet official has hinted that Moscow might be prepared to offer a cut of 30 per cent in its strategic arsenal; and last week Mr Gorbachev told a group of U.S. senators that if the U.S. would agree to negotiate on the demilitarisation of space, the Soviet Union would make "radical" arms reduction proposals "the very next day."

Moreover, Mr Gorbachev has now abandoned, in the Time interview, the earlier demand for a blanket ban on all "Star Wars" research,.

Predictably, the U.S. has dismissed the Russian striptease as "propaganda" on the grounds that the only place for serious proposals is the negotiating table in Geneva. They may have a point but their systematic scepticism is symptomatic of the underlying attitude—perhaps the underlying fear—of the Administration.

They may have a point, because Mr Gorbachev's power in the Soviet system is not yet fully proven: no one knows whether he is or will be in a position to deliver what he seems to be promising—if he is really promising anything. Perhaps he means what he says but then why is there such a large gap between the public come-on and the private stonewalling? Perhaps he has yet to convert the Soviet military bureaucracy to a strategy of really radical cuts, even in the interest of securing curbs on "Star Wars"; who knows, perhaps Soviet scientists are resisting such a bargain because it would place curbs on their own very substantial "Star Wars" research programme.

But the systematic poohpoohing of the Americans raises its own set of questions. An Administration which was looking for a dramatic breakthrough in arms control might act sceptical and hard-to-get, while allowing "Star Wars" to lure the Soviet Union into making unprecedented concessions on nuclear weapons. This would be a game for very high stakes; but if it failed to come off, the low-expectations ploy would have been vindicated.

Unfortunately, this is probably a wildly over-optimistic speculation. Many U.S. experts, even among the converts, have scaled back their expectations of what "Star Wars" can deliver; but by all accounts, President Reagan's own faith in a nuclear-free future remains unclouded by doubts of any kind, technological or strategic. While he is in charge, therefore, the prospect of a trade-off with the Russians—missile cuts against "Star Wars"—is likely to be repugnant. U.S. downgrading of the prospects for the summit could be consistent with a bold negotiating strategy; it could be even more consistent with President Reagan's profound anti-communist convictions, reinforced by a growing anxiety that Mr Gorbachev may succeed in facing him with a fearful choice between "Star Wars" and deep nuclear weapons cuts.

The Administration's real objectives are unclear; even to the British Government it is being unusually secretive about its negotiating plans. Two points are already obvious, however.

The first is that, if a significant deal is to be done, Mr Gorbachev's protestations against routine accusations of "propaganda, propaganda!" require a response. Radical cuts in nuclear weapons would be bound to face as much resistance from vested interests in Moscow as in Washington, and a consistently sour attitude from the U.S. to Mr Gorbachev's "propaganda" may amount to a self-fulfilling prophecy.

The second is that the consequences of a vacuous summit meeting may be incalculable and they cannot be pre-empted by systematic scepticism in advance from the White House. Mrs Thatcher may be tempted to blame failure on the Russians; but the rest of the alliance is just as likely to blame it on the Americans, and the trans-Atlantic atmosphere could get very stormy.

Lombard

What's good for General Motors...

By Geoffrey Owen

IT WAS Mr Charles Wilson, Defence Secretary under President Eisenhower, who declared: "What is good for the country is good for General Motors and what's good for General Motors is good for the country." Is General Motors also good for Britain? A leading academic expert on the motor industry Mr Daniel Jones, has argued in a recent paper* that "a clear conflict has arisen between the worldwide strategy of General Motors and the national interest of the UK." In Mr Jones' view, the British Government should not stand idly by and let GM put the jobs of thousands in the UK motor industry in jeopardy. It must insist on higher local content in the cars GM sells in Britain.

The company responds by pointing to the big investments it has made in Britain in cars, trucks and components. While conceding that large quantities of vehicles and parts are imported from the Continent, it argues that Vauxhall, its British car subsidiary, would not have survived at all had it not been integrated into GM's European organisation.

All this is grist to the propaganda war between Austin Rover, the only British-owned producer of cars for the mass market, and the two American multinationals, Ford and General Motors. But the argument raises some interesting questions about the role of foreign-owned companies in a key industry and about official policy towards inward investment.

All three companies have been hit by the drastic decline of the British car industry, a decline due to a combination of high costs, low productivity and poor management. Vauxhall and Ford have virtually stopped exporting cars (though they are significant exporters of other products) and rely for a large part of their UK sales on cars assembled on the Continent. Austin Rover has no such Continental source; it stands or falls by its UK plants.

Mr Jones argues that the revival of Austin Rover is nearly complete, but it badly needs more volume. Similarly, the British components makers are in the throes of painful modernisation, but they, too, need a strong UK-based industry as their prime customer. Both these objectives are threatened by the fierce battle for markets in Europe between Ford and General Motors and, in particular, by the latter's strategy of using its Continental plants to supply the UK market. The allegation is that GM's prime objective is to load up its German and Belgian plants whenever possible and until these are operating at full capacity to produce only the minimum number of vehicles necessary in the UK.

Mr Jones urges the Government to reach "clear and public understandings" with the two U.S. companies on plans to raise the proportion of UK-built cars in their domestic sales and to increase the level of local content in those cars.

Ford and General Motors might reasonably complain that this line of argument is distinctly one-sided. After all, the bigest distortion in the British car market arose from the rescue of a company—British Leyland.

More seriously, the British Government needs to be wary about moving any further down the path of imposing performance conditions on foreign investors—a process already started in the case of Nissan. Conditions of this kind are rightly criticised by western governments when imposed by developing countries; the UK should be working towards a freer flow of investment capital.

It is true that Austin Rover has ties to the UK which are tighter than those of General Motors or Ford and it will play the British card for all it is worth in the marketplace. Moreover, attacks like those of Mr Jones strike the multinationals on a raw nerve. But foreign companies cannot be forced to make investments in countries where they do not earn an adequate return. The future scale of General Motors' operations in the UK will depend primarily, not on the ogres of Detroit, but on the attractiveness of the UK as a manufacturing base.

* *The import threat to the UK car industry. Science Policy Research Unit, Sussex University.*

Monetary control

From Mr D. Franklin

Sir,—The trouble with using interest rates to deflate the economy in response to excessive £M3 growth is that in the short term the effect of higher interest rates—as we have discovered since January — is to inflate the demand for interest bearing money relative to nominal incomes. Tight monetary policy can therefore appear uncomfortably loose until higher interest rates have had a chance to reduce nominal GNP growth sufficiently to bring the demand for money back to within target—with a clear danger of overkill.

This problem with monetary control is, however, purely presentational: the solution would be to pragmatically adjust £M3 targets when short-term interest rates diverged significantly from those prevailing at the time that the target was set. Instead, the Government has, except when sterling needed defending, tending to avoid using interest rates; rather attempting to control £M3 by overfunding—a tactic which increases the yield on long-term instruments relative to £M3 assets, thus reducing the demand for £M3 while deflating the economy by crowding out long-term borrowing. Unfortunately the side effects of this ruse distort £M3 and reduce its informational content: higher long rates discourage corporate bond issues; and encourage bank lending (which inflates monetary growth . . .); to prevent short rates rising when liquidity is being drained by gilt sales, commercial bills must be purchased from the banking system. The latter problem has given rise to the bill mountain which enforces perpetual Bank of England intervention in the bill market, and may give rise to arbitrage.

The danger is that the problems arising from this circuitous method of money control are leading the authorities to downgrade or dispense with £M3, and concentrate on Mo. Monetary control might then be all too easy—for a rise in interest rates reduces demand for Mo, which is non-interest bearing, and the aggregate might be manipulated with little real impact upon the economy. It would be better to maintain both an interest bearing and a non-interest bearing aggregate, avoid overfunding, but explicitly acknowledge the distorting impact of interest rates on the demand for each aggregate.

Donald Franklin
(UK economist),
Schroder Investment Management,
36, Old Jewry, EC2.

Letters to the Editor

Bedding out

From the Chief Executive National Bedding Federation

Sir,—In his article "Sleepless nights for bedmakers" (August 31), David Thomas made a brief — but inaccurate — reference to the 1985 national wages agreement negotiated between this federation and the Furniture, Timber and Allied Trades Union.

To say that that agreement amounted to a "£5.25 a week pay rise" is not correct: the fact of the matter is that the agreement provided for an increase (effective from January 1985) of £5.25 a week in the minimum weekly payment for production workers for a 39 hour week. The increase was purely on minimum rates; contrary to the implication in Mr Thomas's article, it did not amount to a general, "across-the-board" increase for all workers. It follows that employers who already paid wages equal to, or in excess of, the new minimum had no obligation under the agreement to increase those wages.

Patrick Quigley,
251 Brompton Road, S.W.3.

Work of equal value

From Mr W. Wood

Sir,—I have just returned to my office to read, belatedly, the letter from Ms Margaret Prosser of the TGWU (August 17) referring to the comments attributed to me in your article of August 13. They are, unfortunately, based on a misunderstanding caused in part by your editing of my full statement. I would ask to correct that misunderstanding, as I do not believe that Ms Prosser's views and PA's are radically opposed.

Our point is that the Act, as currently worded, allows successful claims for equality in situations where the difference in pay is not the result of sex discrimination. Even if 99 other men are paid the same as the woman concerned, she can win a claim for equality with the one man who is paid more than her (if there is no valid reason for the difference). The 99 other men can then each claim equality with that woman! Both unions and staff would then, presumably, insist upon the restoration of previously negotiated and valid differentials, both vertically within the organisation and horizontally across it.

The point with which Ms Prosser took issue concerned historic differentials. We totally support the view that any pay differentials which are the result of discrimination based on sex should be removed. Indeed, we believe that all organisations should adopt objective, non-discriminatory, payment systems.

As the law stands, however, even a company which is totally non-discriminatory in practice could lay itself open to a successful claim through carelessness or a lack of proper systems. It is also worth noting that one "overpaid" woman is just as much of a "threat" to the company as one "overpaid" man.

W. W. Wood,
PA Personnel Services,
60a Knightsbridge, SW1.

Many more fellows

From the Deputy Secretary, The British Academy

Sir,—In the interests of completeness readers may care to know that, in addition to those named in Mr May's letter (September 4), Dr Joseph Needham, Sir Karl Popper, Dr G. M. Trevelyan and Sir Mortimer Wheeler are, or were, fellows of both the British Academy and the Royal Society. Sir Winston Churchill, the 1st Earl of Cromer, Sir Peter Medawar, Earl Russell and Lord Stockton are, or were, honorary fellows of the British Academy besides being fellows of the Royal Society. In this connection it may be worth noting that the Royal Society does not have a category of honorary fellow.

Peter R. Williams.
20-21, Cornwall Terrace, NW1.

Sighting the Titanic

From Mr J. Baker White

Sir,—You report (September 4) that the archives of the White Star liner "Titanic" are being dusted down following her discovery on the sea bed off Newfoundland. May I add a personal memory?

On a sunny morning in the first week of April, 1912, I was sitting by the old lifeboat house on the Warsash side of the entrance to the Hamble River talking to a friend, the coastguard who used to patrol the shore from the Hamble to Hillhead. Slowly there came down Southampton Water, past the Union Castle boats and troopers that used to lie off Netley in those days, the biggest liner I had ever seen. The coastguard pointed at her. "That's the 'Titanic,' me lad, biggest ship in the world, just off to New York."

We heard her band playing as she moved slowly and majestically past Calshot Castle and the boom defence link towers and stood against the boathouse waving our caps. "Old men forget," but with the news that after 73 years she has been found brings back the memory of that April morning as if it were yesterday.

John Baker White.
Street End Place,
Street End,
Canterbury, Kent.

Cash flow problems

From Mr B. Bosworth

Sir,—Several readers have written about cash flow difficulties and attributed the blame to customers who have a policy of slow payment.

Legislation is not required to improve cash flow. All that is needed is a more disciplined, and sometimes unorthodox, approach to credit management. Very simply, debt collection is a selling job; it is a competition for cash. In the same way that marketing and sales people find ways to influence customers to buy their products in preference to those of their competitors; so financial people should adopt the same competitive approach to the collection of cash.

The courts in this country are clogged up with cases many of which should never have got there in the first place. This is due to the inability of the creditor to communicate effectively and influence the debtor to pay.

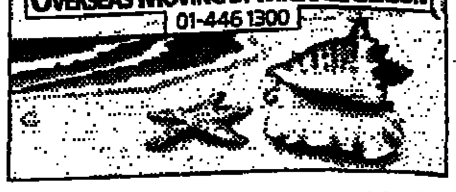
In case any cynics reading this letter reckon it cannot be done, let me tell them this: I run my own very small business. All my customers are very big companies. My credit terms are seven days net, from date of invoice. So far, the longest I have had to wait for payment is 28 days from date of invoice.

Successful credit control starts at the time of the sale and is followed through with the same determination as finding new business. Legislation to force prompt payment (which I doubt would work anyway) is a poor substitute for good credit management.

Bruce N. Bosworth,
21, Harberrow Road,
West Hagley,
Stourbridge, West Midlands.

FINANCIAL TIMES

Monday September 9 1985



MINISTERS MEET TO AMEND THE TREATY OF ROME

Tricky path to streamlined EEC

BY QUENTIN PEEL IN BRUSSELS

EEC FOREIGN ministers will today relaunch in Luxembourg the great debate on the future of the European Community.

The ministers will attempt to amend the founding Treaty of Rome, which binds the Community, in a debate which has hitherto pitted Britain, Denmark and Greece against the rest of the European union.

The 10 ministers, joined by their counterparts from Spain and Portugal, must first decide on the procedure and timetable for the talks, which include how to extend the present competence of the EEC and how to streamline its cumbersome decision-making processes. They have a December deadline for agreement.

The inter-governmental conference, which was agreed on by seven votes to three at the EEC Milan summit in June, is a big challenge for the tiny Luxembourg Government holder of the EEC presidency.

M Jacques Poos, the Luxembourg Foreign Minister, who will chair the conference, has somehow to paper over the cracks between the seven Community members in favour of formal treaty amendments – Belgium, France, Ireland, Italy, Luxembourg, the Netherlands and West Germany – and the rest, who are seeking to limit any changes which might dilute the ultimate power of national sovereignty.

No one has decided to boycott the conference outright, however, and the atmosphere appears better than it was before the summer break, when it was coloured by the immediate post-Milan recriminations.

Three broad areas have to be tackled by the conference:

● Extending the responsibilities of the EEC under the Rome Treaty, for example by including the environment, promotion of high technology and, most important, greater political co-operation on foreign policy.

● Streamlining the decision-making process to limit the need for unanimous decisions in favour of more majority voting and if possible (in the eyes of the reformers) to restrict the use of the "Luxembourg compromise," which allows a member to cite its "vital national interest" to prevent the vote being taken at all.

● Increasing the democratic control of EEC decision-making, for example by stepping up the role of the European Parliament, while giving greater power of delegation to the European Commission.

The Luxembourg Government strategy to keep everyone at the table would seem to place greatest stress on the first area – bringing the treaty up to date by including new areas of competence – and leaving the more controversial institutional questions until later.

No formal proposals for treaty amendments have yet been put on the table; members are likely to be given until mid-October to do so. The British Government is unlikely to make any specific proposals, but most of the other member states and the Commission have expressed some interest in doing so.

Today's talks will concentrate on the timetable, the number of ministerial meetings needed, which officials will discuss which subjects and in what order. The ministers also have to decide how they are going to consult the European Parliament during the process.

Few members would quarrel with bringing subjects like the environment and technology within the Treaty of Rome; the EEC already deals with them under the general provisions of Article 235 which covers "any other business."

Giving legal substance to the process of political co-operation is more controversial, although on that subject Britain sides with the majority in favour of closer co-operation, including discussion of security matters, whereas Ireland belongs with Denmark and Greece on the side of the doubters.

The ministers have to decide whether closer political co-operation should come under a separate treaty, establishing a separate secretariat, or be included as part of an amended Treaty of Rome, as the purists in the European Commission would prefer.

Already, however, such political co-operation is proceeding quickly. The same foreign ministers (with the exception of Britain's Sir Geoffrey Howe who will have left for Nigeria) will tomorrow be discussing a co-ordinated Community policy towards South Africa.

Argentina fails to respond to British trade move

By Jimmy Burns in Buenos Aires

TWO MONTHS after Britain unilaterally lifted its trade ban with Argentina, the prospects of normal Anglo-Argentine commercial relations are as remote as at any time since the outbreak of the 1982 Falklands conflict.

That is the view of businessmen in local subsidiaries of leading British companies and Argentine exporters, who in the July announcement expected Argentina to reciprocate.

"If anything, the situation has been getting worse since the British lifted their ban... The Argentine Government has been putting more and more rocks in our way," commented Sr Guillermo Browne, president of the British Chamber of Commerce in Buenos Aires.

Symptomatic of Argentine attitudes, according to Sr Browne, was a recent stormy meeting between managers of British companies and Sr Daniel Larriqueta, under-secretary for the presidency, during which they were told government overseership of local UK assets would be stepped up. Part of Sr Larriqueta's anger was attributed to news of two British Phantom jets violating Argentine airspace.

Under a law approved by former president General Leopoldo Galtieri, government overseers may check the accounts of British companies and control the sale of fixed assets and remittance of profits. The overseers gradually relaxed their supervision, and British companies for most of last year were allowed to operate as freely as any other foreign entity.

With the return to the stricter regime, the Argentine Government has left UK companies with no doubt of its resolve not to make any substantial move to improve its relations with the British Government until London has agreed to put the issue of sovereignty over the islands on to the negotiating table.

In recent weeks, representatives of the Argentine meat, wool, tea and tobacco sectors have been receiving continuous messages from their former UK customers pressing for a resumption of business. But efforts to prepare shipments have been frustrated by Argentine Customs refusing to certify export licences to Britain. In the case of corned beef, the Argentines have also so indicated that they will not give entry visas to British agricultural officials insisting on prior health inspections.

Politics notwithstanding, a trade of a kind has survived between the two countries. It is widely accepted in Buenos Aires that Anglo-Argentine trade is understated by official figures. According to recent Department of Trade and Industry figures, Argentine exports to Britain fell from £136m ($185m) to £85,000 between 1981 and 1984. During the same period, Argentine imports from Britain dropped from £161m (one of the UK's best markets in Latin America) to £5m.

An attempt to export considerable quantities of corned beef under a "Made in Uruguay" label appears to have been made both during and immediately after the war but has been discontinued. Triangulation, involving at least two leading Argentine meat packers, has persisted. Argentine meat is sent via Rotterdam, where it is "nationalised" as an EEC product and issued with new documents for trans-shipment to the UK as chilled or frozen beef. Meat traders, however, have always viewed such routes as potentially risky and expensive.

On the import side, British-made goods ranging from scientific journals to sophisticated nuclear isotopes used for delicate brain surgery have over the last two years been officially approved by the Argentine authorities as in the "national interest," according to Mr Richard Herbert, the British-born manager of a small but aggressive export-import agency.

THE LEX COLUMN

Gog and Magog in electricals

There may be more than one way to skin a cat but not, it seems, to construct a large European electrical company. At first sight, the General Electric Company and Siemens look to have been cut on the same template, even if on a scale of 1:2. Both carry evidence of their distant origins in power generation or household appliances; both have sought to buck the secular decline in electricity consumption through telecommunications factory automation and medical engineering; and both are seeking, with differing degrees of conviction, to follow a shift in added value from electrical systems to their components.

Through a mixture of cost efficiencies and caution, both Siemens and GEC have built up cash balances that have exposed them to grumblings from politicians and the press: in Siemens' case, cash and short-term investments amount to over DM 20bn and though a good third of this is pension-fund contributions held in the balance-sheet, GEC looks positively miserly with a mere £1.4bn in net cash to offer in comparison. As if despairing of drumming up their own ideas for spending this, both companies have talked of venture-capital funds and both have sought elegant ways to mollify shareholders – GEC through capital notes and share purchases, Siemens by offering blocks of shares at intervals at deep discounts to the market price. Last year, Siemens raised its dividend by 20 per cent.

Rating

The volatility of interest earnings would depress the stock-market ratings of either company even without investors looking too anxiously into the future: on their last reported earnings, both GEC and Siemens stand on multiples of 11.5 times. This does not mean much given their different year-ends and depreciation policies as well as the general opacity of German adjusted earnings; but whereas GEC has underperformed the UK market for years, Siemens has been one of the great money-making shares of the three-year German bull market and only recently stopped in its tracks until capital gains are shaken out.

In the process, the old image of Siemens as a lumbering giant, with its university of researchers re-inventing everything, has changed. If the turning round of the computer and components divisions, or the cash squeezed out from padded costs and inventory at the beginning of the 1980s, owe something to emulation of GEC, the exponential increase in capital commitments do not. Even at the low point of 1982-83, Siemens was still spending a higher percentage of sales on capital account than GEC; this year and next it will be almost double.

GEC might well snort at Siemens' very German tendency to conceptualise; at GEC, divisions that miss their financial targets are not renamed but winnowed of managers or closed. But Karlheinz Kaske's sloganeering approach – office of the future, factory of the future, expansion into the U.S. – did catch the imagination of German investors just at the time when GEC's virtues of strict control and caution in investment were looking defensive in London.

Of course, it is hard to imagine GEC ever tolerating such a heavy loss-maker as Siemens' transformer division, which merely evokes sighs at the Wittelsbacher Platz. Equally, Siemens is still a long way from shedding its bad habit of spreading research and development, and capital expenditure, right across its product line: a glance at the Saturday newspaper supplements suggests Siemens wants to employ the entire crop of German graduate scientists, whatever their discipline.

Memories

Siemens itself is less than wholly optimistic about its most eye-catching step – its commitment to the next two generations of memory chips. The pace of change has already forced Siemens into a defensive alliance with Toshiba in developing 1-megabit chips, and only a reckless bookmaker would give Siemens and Philips less than odds to outpace the Japanese on 4-megabit memories. Yet GEC, no less than Siemens, cannot afford to sit out a technology so vital to its defence business, whatever its contempt for actually selling standard components. On those terms, a GEC commitment of £150m to sub-micron chip design looks neither here nor there.

As for acquisition, nobody could have doubted Siemens' commitment to the U.S. market, even without the unsuccessful sealed bid of DM 5bn for Allen-Bradley, the electronic controls manufacturer; in contrast, GEC still seems haunted by its experience with A. B. Dick, which only returned to profit last year, and has proved no sort of office automation springboard. It is Siemens' sheer persistence in trying to break into the liberalised U.S. telecommunications market that shows it is as internationally minded a European group as L. M. Ericsson although sharing similar weaknesses in distribution and marketing.

GEC has reason to rue Siemens' influence in its home market – not only in failing to aid Lord Weinstock's tilt at AEG, but as by far the largest supplier to the Bundespost. But while the German market is arguably cosier than the UK, dominated by a private British Telecom, the Bundespost has also ordered competing switching systems from Siemens and SEL. And while the Bundespost (like BT) was fussing about specifications, Siemens was selling its digital system overseas. There is a world of difference between a manufacturer of switches and a proprietary developer able to recover R and D costs; and even the sharpest critic of Siemens would not consign its telecommunications to the outer darkness that is a commonplace of GEC analysis in the City.

Two-tier

If GEC professes to admire its rival as much (or as little) as vice versa, it has paid Siemens the back-handed compliment of adopting a two-tier board structure. Of course, the GEC UK board of management is considerably less than the West German executive board, while the hard men at Stanhope Gate are much more than the collection of bank creditors, worker directors and men of goodwill that fill a West German supervisory board.

It could be that the promotion of divisional Indians to the status of chiefs will throw some light on the riddle of the succession at GEC; but it is hard to imagine adventures in new technology having any easier a time against performance controls that have shaped an entire management generation.

In that case, GEC will continue to be rated as the best recession manager in the UK, avoiding the ambitious mistakes of the Plesseys and STCs but with enough cash to grow by acquisition should prices come down yet further. It also shares with Siemens excellent growth prospects in the medical and factory automation businesses and is probably as good as anybody at protecting margins against defence clients seeking more bang for their buck.

It could be that Siemens' venture into commodity chips will prove a waste of time and money and that its office automation products will be mere systems it lacks the skill to market to the needs of businesses. At this stage, GEC and Siemens look like two bridge players: Siemens would argue it must finesse these risks because otherwise the contract will fail; GEC that the finesse is not even necessary.

Open for business: the tennis racket

By Paul Taylor in New York

THE SYNTHETIC cream on the strawberries comes out of an aerosol can. Some people believe the tennis at the U.S. Open in Flushing Meadows, New York, is squeezed out the same way.

For almost two weeks the world's best tennis players have been battling under a burning sun for the much-coveted title of 1985 U.S. Open champion. By today the result will be known.

The United States Tennis Association's (USTA) annual competition will be over. The players will be richer by a record $3.07m in prize money, the event's 25 sponsors who paid a minimum of $50,000 each to plaster their names over the National Tennis Center at Flushing Meadows Park will figure out whether it was all worth it, and the USTA will total up the receipts.

Meanwhile, ordinary Americans will continue to be embarrassed by John MacEnroe's outbursts – and wonder what tennis has come to.

In the 20,662-seat Louis Armstrong Stadium the debris – the popcorn bags, hot-dog wrappers and cardboard Coke tubs – will be cleared away and the DBS television cameras dismantled.

More than 430,000 tennis fans will have watched the Open live and, with a television audience in the millions, will have seen the event's major sponsors' placards ranging from Kodak to Burroughs and Murjani, the clothes group.

For the USTA championship is as much about money – big money – as it is about tennis.

Seats for the full series of day and night sessions spread over 13 days cost $300 a time in the upper stadium levels. But even so, there will be many tennis fans bitter that they were unable to buy a ticket.

The reason is obvious from the lines of chauffeur-driven limousines outside the 16-acre grounds. Many of the seats are reserved for the competiton's corporate sponsors, or bought in blocks by company publicity departments. The result is that while most sessions were officially "sold out," there were rows of empty seats.

For the USTA this presents a serious dilemma. The non-profit organisation relies heavily on the U.S. Open to fund its operations but desperately wants the Open to be a "people's event."

All told, the competition's sponsors paid $3m into the association's coffers. Added to the more than $5m in gate receipts and $5m in broadcast rights, plus a percentage of the takings of the food concessions at the Open, it is obvious that the competition has become a big money spinner.

After expenses, maintenance and capital improvements – including $2m spent at the National Tennis Center in the last 12 months – the USTA will net more than $9m from the event. The competition represents more than 70 per cent of the USTA's operating income and will be used to fund its national and sectional programmes.

But the role of sponsors – like the National Tennis Center itself, which some players have described as an asphalt court jungle – has become a sore subject with fans.

So the USTA is considering building a 5,000-seat show court and selling a reduced-price ticket for the court and the grounds only "to siphon off the strain" as one association official puts it.

After being played on grass for most of its 104-year history, the U.S. Open is now played on green-coloured hard courts

Opposition makes up ground before Scandinavian polls

BY KEVIN DONE, NORDIC CORRESPONDENT, IN OSLO

OPINION polls in Sweden and Norway suggest that the opposition parties in both countries have made up lost ground and might have taken a tiny lead in the final stages of the general election campaigns.

More than 3m voters in Norway go to the polls today in what all indications suggest will be a very close-run contest. Most observers still expect victory to go to the ruling Conservative-led coalition, but it might be dependent for a majority on the small right-wing Progress Party.

An opinion poll, presented by the Oslo newspaper Dagbladet, gave a marginal lead to the opposition parties led by the Labour Party, which can count on parliamentary support from the small Socialist Left and Liberal parties.

The left-wing block received 50.2 per cent of the support in the poll, compared with 45.2 per cent for the ruling coalition, made up of the Conservatives and the Christian Peoples and Centre parties, and 2.9 per cent for the Progress Party.

The poll and the possibility of a socialist victory caused a sharp drop in share prices on Friday on the Oslo Stock Exchange, which has reached a new high in trading in recent weeks.

Another poll released over the weekend, however, showed a clear lead for Mr Kåre Willoch, the Conservative leader, as the most popular choice for Prime Minister.

Norway's electoral system is expected to work in favour of the ruling centre-right coalition. Following a recent amendment to the system, parties can now form electoral alliances in particular constituencies to avoid votes being wasted. Norway's present electoral system is only proportional in each multi-member electoral district – not nationally.

The amendment allowing electoral alliances could help above all the two smaller government parties, the Centre and Christian Peoples parties, and work against the Labour Party, which has refused to enter any such pacts.

The Labour Party, under the leadership of the former Prime Minister, Mrs Gro Harlem Bruntland, has clearly made up lost ground during the campaign. She has focused heavily on social issues and has highlighted shortcomings in the country's hospitals and health care system.

Mr Willoch, the Prime Minister, left it rather late to devote his full energies to the election campaign, but he has scored points in recent days, particularly on foreign policy and economic issues.

The Labour Party is vulnerable to charges that it might be less than 100 per cent reliable as a member of Nato, and Mrs Brundtland has been forced to state categorically that Mr Einar Førde, the deputy chairman and leader of the party's left wing, would not be given the job of foreign minister if Labour wins the election.

In Sweden, an opinion poll published in the newspaper, Svenska Dagbladet, over the weekend gave a tiny lead to the non-Socialist opposition parties with 49.5 per cent compared with 49 per cent for the Socialist bloc, comprising the ruling Social Democrats and the Communists.

China to store N-waste

Continued from Page 1

enrichment of China's uranium. But the Germans made it plain that as part of the Anglo-Dutch-German enrichment company Urenco, they were not free to negotiate this technology transfer.

Britain could find a role in transporting the fuel from Germany to China, as the major shareholder in Pacific Nuclear Transport, the only nuclear transport company serving the Far East.

The fuel will be sealed in casks weighing up to 70 tonnes, designed to be stacked like a honeycomb to form a free-standing store, robust enough to withstand even an air crash, as German safety regulations require.

The idea is already used in West Germany as a temporary expedient while DWK constructs its first commercial reprocessing plant.

Such a store can readily be dismantled and the fuel casks transported to the reprocessing factory. The store needs no excavation and little preparation beyond a concrete base.

Several remote sites in the Gobi Desert are being considered.

China's willingness to store spent nuclear fuel first came to light early last year.

U.S. Army deal battle

Continued from Page 1

their attempts to boost arms exports. The last time she was personally involved was probably a year ago, when she intervened to try to persuade Saudi Arabia to conclude a £1bn deal involving Tornado fighter bombers and Hawk trainers against an opposing French bid of Mirage 2000. Both countries are still awaiting the Saudi decision.

Observers believe there is a considerable element of risk in the Government's tactics on the U.S. contract, if only because, while lobbying is a well-established part of the U.S. political and defence scene, the Anglo-American special relationship has been somewhat strained recently.

In particular, the U.S. Administration was taken aback by what one U.S. source termed the "effrontery" of Britain's suggestion that it should be given a $1.5bn stake in the $26bn SDI research programme. The case for such a deal was argued by Mrs Thatcher and Mr Heseltine in Washington in separate trips at the end of July. London is still formally awaiting an answer, but the U.S. is dragging its feet on setting up a working group to study the matter, which is itself seen as delaying tactics.

There does not appear to be much confidence in the UK defence establishment that the last-minute bid to win the contract will come off.

Salomon leads bid to buy bond dealer

By Paul Taylor in New York

SALOMON BROTHERS, the Wall Street investment bank, and a group of other Wall Street firms, plans to acquire PGB Securities, a U.S. Government bond inter-dealer broker owned by Mabon Nugent, in a move that might signal the start of a commission pricing war.

Salomon Brothers, which said that other members of the purchasing group were expected to include Citicorp, BankAmerica, First Boston, Goldman Sachs, J. P. Morgan and Merrill Lynch, declined to announce the purchase price, but said it was a "modest amount."

Mr Thomas Strauss, a Salomon Brothers executive director, said PGB would operate independently of its owners and "compete for business on the basis of reduced commissions."

Mr Strauss estimated that brokers currently charged the 36 primary government securities dealers in the U.S. about $250m annually in commissions. A typical commission is about $78 per $1m of Treasury bonds traded.

The Salomon Brothers executive said the PGB might reduce its commissions by 50 per cent – a move that would put pressure on the six other inter-dealer brokers to follow suit.

PGB is a small and relatively new firm in the rapidly expanding Treasury brokerage business

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	24	75	Malaga	S	29	84	Salzburg	R	10	50
Akrotiri	S	28	82	Faro	C	23	73	Malta	F	29	84	Seoul	S	28	82
Algiers	—	—	—	Florence	S	27	81	Manila	C	29	84	Singapore	T	23	73
Amsterdam	C	14	57	Frankfurt	R	13	55	Miami	F	26	79	Stockholm	C	10	50
Athens	S	29	84	Funchal	F	24	75	Milan	C	22	72	Strasbourg	F	17	63
Bahrain	S	37	99	Geneva	S	19	66	Moscow	C	11	52	Sydney	S	19	66
Bangkok	S	32	90	Gibraltar	S	24	75	Munich	F	14	57	Taipei	S	34	93
Barcelona	S	27	81	Guernsey	C	16	61	Nairobi	C	24	75	Tangier	C	24	75
Beirut	S	29	84	Helsinki	R	15	59	Naples	S	29	84	Tehran	—	—	—
Belgrade	S	21	70	H. Kong	C	28	82	New Delhi	S	33	91	Tel Aviv	S	29	84
Berlin	C	13	55	Innsbruck	F	17	63	New York	C	24	75	Tenerife	—	—	—
Biarritz	S	23	73	Inverness	C	9	48	Nice	S	24	75	Tokyo	S	30	86
Blackpool	C	16	61	Istanbul	S	23	73	Oporto	S	21	70	Toronto	C	21	70
Bordeaux	S	26	79	Jersey	S	16	61	Oslo	C	13	55	Tunis	S	30	86
Brussels	R	15	59	Jo'burg	F	18	64	Paris	F	20	68	Valencia	S	30	86
Budapest	C	14	57	Las Palmas	F	25	77	Prague	C	10	50	Venice	S	22	72
B. Aires	F	23	73	Lima	F	18	64	Reykjavik	S	6	43	Vienna	R	12	54
Cairo	S	31	88	Lisbon	S	25	77	Rio de J'o	C	25	77	Warsaw	C	9	48
Cape Town	S	20	68	Locarno	S	21	70	Rome	S	26	79	Zurich	F	17	63
Caracas	C	27	81	London	C	17	63								
Casablanca	C	24	75	Los Angeles	C	18	66								
Copenhagen	F	14	57	Luxembourg	C	14	57								
Corfu	S	29	84	Madrid	S	30	86								
Dublin	C	17	63	Majorca	S	29	84								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

U.S. sanctions policy expected

Continued from Page 1

that he had strongly advised against any such talks.

"As long as the ANC is under communist leadership and supports violence in South Africa there can be no question of me approving discussions with them," he said. Such attempts were "unwise and even disloyal to the young men who are sacrificing their lives in defending South Africa's safety."

Responding to the statement, Mr Gavin Relly, chairman of Anglo American Corporation, and Mr Tony Bloom, chairman of the Premier Million group, underlined that there was no question that the planned meeting could be construed as an attempt by businessmen to bypass the political process or "negotiate" with the ANC.

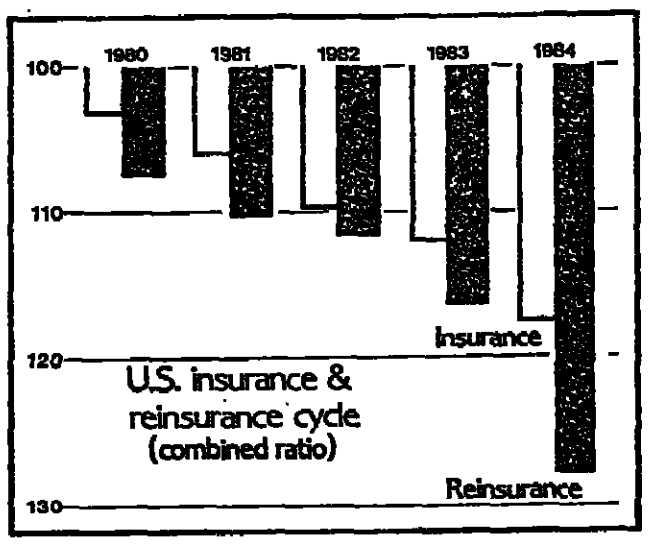
"There was never any question of the talks being negotiations, the plans were simply based on businessmen's interest in finding out about the ANC's approach to business issues. It is laughable to think that businessmen as individuals could embark on negotiations," Mr Relly said.

Peter Montagnon adds from London: Dr Gerhard de Kock, South Africa's Reserve Bank Governor, is today due to visit banks in Switzerland on the closing leg of a tour of the U.S. and Europe to explain his country's decision to freeze debt repayments.

SECTION III

FINANCIAL TIMES SURVEY

REINSURANCE



IN MONTE CARLO this week more than 2,000 *representatives* from the international reinsurance community meet for the most important annual convention in their business year. It will be an anxious time for most of them: the reinsurance market is experiencing its most volatile trading period in years.

Industry specialists argue that the market it not in good shape. Intense competititive conditions and a long period of *rate-cutting on reinsurance* premiums are taking their toll. Reinsurance, they say, has become the "crumbling cornerstone" in world insurance markets.

There are predictions that a *large* number of reinsurance operations probably will not make it into the 1990s, at least not in their present form. The best hope for the market, say reinsurers, is that conditions are now so bad that it will lead to a sharp turnaround in their business cycle as reinsurance groups raise their prices in an effort to survive.

Insurers are by nature professional pessimists and there is a tendency to over-dramatise the state of the market in order to improve prices and hence ensure a comfortable level of overall profit. But the alarmist talk in the world's reinsurance community is supported by a considerable amount of hard evidence.

In 1984 reinsurers in the U.S. turned in their worst results ever. According to the Reinsurance Association of America, the standard yardstick for *measuring how well or how* badly companies are doing—the combined ratio—showed that underwriting losses expressed as a percentage of premiums in the industry had jumped from 116.4 to 128.2. Industry sources suggest that there has been a steady decline in performance since 1977 when *underwriting losses were running* at 100.4 per cent of premiums.

The obscure world of the reinsurance market plays an important role in the wider insurance community. It provides two central facilities for

The reinsurance market is not in good shape. Company failures are predicted, but many worry that a withdrawal of underwriting capacity may not be enough to reverse the current adverse business cycle

Competitive conditions take toll

BY JOHN MOORE, CITY CORRESPONDENT

insurance companies: it allows them to spread out individual risks that are too big for even the largest insurance company to *handle*; and it allows small companies to accept more business than their own capital could safely support, which in turn stimulates the smaller companies' expansion.

As members of the public seek insurance protection, so insurance companies themselves often seek their own protection against large *claims* through the mechanism of reinsurance, laying off risks throughout the world.

Although its origins date back 600 years, it is only in the last few years that reinsurance has become a significant force in the insurance world. In 1965 world reinsurance premium income was running at around \$5:6bn. Now around \$60bn in premiums is retained by reinsurance companies for their own account.

Volume handled

Almost half of this premium volume is handled by about 3,000 direct insurance companies or concerns, which also carry out reinsurance business. More than \$28bn is handled by over *350 professional reinsurance* groups.

The business cycle of the *reinsurance community* in the last ten years has been influenced by a variety of factors, but its most important period of growth came in the early 1970s. Then U.S. insurance capacity contracted sharply as *falling stock market values* hit into insurance companies' reserves.

The U.S. insurance industry sought extensive reinsurance protection outside its own market. The reinsurers provided a pool of capital which paid for the large claims of the direct insurers, who would have otherwise found their individual resources strained beyond their limits.

Much of the business flowed to London, which helped the UK *to become one of the* world's largest reinsurance centres. Lloyd's itself rapidly evolved into an important reinsurance centre and today around 70 per cent of Lloyd's total business is accounted for *by reinsurance.*

European reinsurance groups, seeing the possibility provided by the U.S. reinsurance market for reinsurance business, started developing their own operations in the U.S. *while established American insurance* concerns developed their own reinsurance departments to meet the demand.

Other non-insurance groups charged into the market. The unexpected level of demand and high interest rates attracted all manner of inexperienced underwriting capacity, lured by the *attraction of gaining access to* a useful cash generating business. Reinsurance, like all insurance activity, provides the possibility of a two-way return for those with a stake in its operation.

Reinsurers earn premiums, which as long as claims do not exceed premiums, will produce *an underlying underwriting profit. Moreover, the premiums can* be invested, which produces more income. Even if reinsurers make an underlying underwriting loss, the investment income returns from the premiums can ensure that an overall profit is produced.

There was, accordingly, a "capacity explosion." Industrial *companies, seeking to* reduce the cost of their insurance programmes, established their own "captive" insurance companies which insured the risks of the parent company. These captives were largely based offshore in centres such as Bermuda, which evolved rapidly into a major reinsurance and insurance centre with 740 companies generating premiums of \$6bn.

Captive operations

Adverse tax rulings in the U.S. about the tax deductibility of in-house insurance premiums encouraged industrial companies to widen the sphere of their captive operations. The captives took on third party insurance business which added to the overall competitive conditions in world insurance and reinsurance markets.

A whole range of operators moved into reinsurance, everyone from highly organised insurance operations to unscrupulous specialists at the fringe who saw an easy access to a line of money in an unregulated market. Many of the newcomers, describing themselves as reinsurers were operating no more than shell companies which took in money through a reinsurance *contract*, retained a *tiny part of the risk*, and reinsured the bulk of the business with other reinsurers.

Insurance risks became scattered throughout the world in a complicated daisy-chain as participants clambered for a piece of the action. The market became rapidly overheated and the boom-like conditions of the mid-1970s started turning down as aggressive competition slashed premium rates.

As the cycle has turned down sharply, so reinsurance specialists have been looking for signs that the worst may be over and *that prices once again will be* rising. For the last two renewal seasons in London—when contracts are re-presented to underwriters for a further consideration of the terms—there have been reports that rates have been *rising*. *Last year the* Mercantile and General Reinsurance Company, Britain's largest reinsurance company, was pronouncing boldly: "We see grounds to hope that the worst may be behind ups and that a *recovery of world reinsurance* markets may be under way."

But whatever recovery the group saw turned out to be a false dawn. Mercantile and General reported an underlying *underwriting* loss of £93.6m compared with £39.9m in the previous year. Mr John Locke, the general manager of the group, said: "The problems facing us and other reinsurers continue to be severe." The market, he pointed out, had been hit by heavy claims from liability risks, largely arising from huge court awards in the U.S. against industrial companies.

"The escalation of liability claims, from the distant past up to the present day, grows worse and in many major markets insurers are still *reacting inadequately to the* underwriting losses being produced on commercial and industrial business."

Other reinsurance professionals argue that much of the difficulty in reinsurance markets can be attributed to the "dumbness factor." Mr Joseph Aspland, vice-president and general manager of the Allstate Insurance Company in the U.S. wrote recently: "Many reinsurers who have joined the industry during the last 10 years simply do not understand the business. As a result they have done some dumb things. We sometimes use a more polite term for these markets referring to 'innocent capacity.'"

The new entrants, he argued, did not have the experience and expertise of the larger reinsurers, yet they attacked the marketplace aggressively. "Many of these markets are just beginning to understand how *poorly priced their products* were during this period."

Recently there have been *signs of a massive shakeout in* reinsurance capacity. The captive movement in Bermuda has shrunk dramatically as poor underwriting experience has led to huge losses. Those industrial groups which are maintaining captives are curbing their third party business.

The troubles of the Insurance Corporation of Ireland, once owned by Allied Irish Banks, have also startled the reinsurance community. Before it was taken over by the Irish authorities earlier this year the Insurance Corporation of Ireland was already curbing business, and this process became accelerated once the Irish Government stepped in.

Disastrous results

The Reinsurance Association of America said that its survey of the reinsurance industry contained data from 18 fewer organisations than a year ago. The association said that this reflects in part the disastrous results experienced in 1984, and the consequent withdrawal of numerous reinsurers from the market.

Other established groups are changing their strategies and becoming more selective in the type of business they are taking on and shedding unprofitable contracts.

Against *this background* there are signs of rate increases. Reinsurers in Europe have been switching away from taking on lines of business in the form of proportional treaty business, in which insurance groups *agree to pass over a* proportion of their portfolios to reinsurers. Instead, excess of loss protection has become fashionable and, with the curbs operating in the conventional proportional market, rates have *risen in the last renewal season* by up to 200 per cent in London, although the average rate rise has been between 10 and 55 per cent.

Some brokers, like Mr Ron Iles of Alexander Howden, argue that the hard market has "arrived" in the reinsurance community. He argues that *concern about security has had* an effect on the capacity situation because brokers are more wary about where they place their business at a time when the market is unstable. "Brokers were reluctant to deal with certain carriers whose position looked doubtful," says Mr Iles.

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Establishment strengthens its hold

World centres

CHRISTOPHER MORRISON

HARDENING WORLD insurance markets and a significant "flight to quality" have been working heavily during the last year in favour of the more established international insurance centres such as London and New York.

Escalating losses have taken a considerable toll in many offshore reinsurance centres such as Bermuda. Many of the smaller insurance companies located in the developing world have lost their appetite for international commercial insurance business. As a result, the market has been hit by heavy capacity cutbacks and withdrawals during the last year.

Against this background, the larger American and European reinsurers have found that they can raise rates and restrict cover on business that has flooded back to them seeking renewal, sometimes at almost any price. Now certain types of business such as U.S. liability risks have been hard-pressed to even find a home after years of poor results.

Insurance brokers have found that the "soft market" for almost all types of commercial insurance business has disappeared almost overnight after seven years of intense competition. Until this year "we were probably only a stone's-throw away from the day when we gave our clients a box of chocolates with the renewal documents," commented Mr Harry Purchase of Stewart Wrightson to a group of buyers recently.

The sudden switch in market fortunes has taken many by surprise—"there were precious few, either inside or outside the insurance business, who felt the turnaround would be as sudden or drastic as it now appears," says Mr Purchase.

The seven long years of recession in world insurance markets ended a period of growth and prosperity for insurers during the mid 1970s. In retrospect, this profitable period induced the longest downturn in the underwriting cycle that anyone in the insurance business can ever remember. It led to capital pouring in from all quarters, often from industrial companies seeking to diversify out of their traditional recession-racked businesses.

Some of this money helped build up offshore reinsurance centres like Bermuda and to a lesser extent the Cayman Islands. Industrial companies were attracted to their advantageous tax environments as they attempted to keep their own profitable insurance business by setting up captive insurance companies.

In turn, these industrial captives expanded their interests and sought outside business turning Bermuda in the process into a major reinsurance centre.

During the last year, however, Bermuda has suffered a number of significant withdrawals by captives, insurance companies and brokers. Heavy losses and a high cost of living on the island have often been blamed for such actions. Much of the business lost to Bermuda is likely to have returned to the American and European markets.

Many of the smaller companies from the developing world have also withdrawn from international reinsurance business after encountering heavy losses over the past few years. There has been a marked reduction in managed underwriting pools, a favoured route to gain business for many smaller companies, as deficits mount and some agents are criticised for exceeding their authorities.

Overall, the practice of accepting business through an agent in some of the larger insurance centres has shown a steep decline.

Many of the pooling adventures of the last few years have ended in recriminations and liquidations and added to the fears of clients who are starting to seek more certain security for their protections. As a result, the more soundly-based insurance markets such as Lloyd's and the major insurance and reinsurance companies have been able to dictate terms and conditions secure in the knowledge that for the moment they hold the upper hand.

"The evidence is abundantly clear that reinsurance capacity is only available now at a more realistic price. Reinsurers have discovered the fact that they have the option of saying no when the rates are not to their liking," stated Mr Peter Fryer, managing director, Jardine Reinsurance Management, at a Reinsurance Offices Association seminar last April.

The "flight to quality" has worked in favour of Lloyd's of London

LEADING U.S. INSURANCE GROUPS-1984 RESULTS

RESULTS for the U.S. property-casualty reinsurers touched a new low in 1984, according to the annual survey of the Reinsurance Association of America.

The key figures to the health of individual companies are:

● Policyholders' surplus—the amount of money insurers have in addition to their insurance premiums to cover unexpected losses.

● Net reinsurance premiums written—a good guide to the volume of new business done.

● Losses—the claims which insurers pay out from their premium income.

● Underwriting expenses—the cost of running the business and administering claims.

The last two categories are often expressed as a percentage of net premiums earned.

The combined ratio is probably the single most important figure for any company. It is a combination of the underwriting expense ratio and the loss ratio. A combined ratio of under 100 indicates an underwriting profit; one over 100 generally indicates a loss. Normally companies aim for a combined ratio of 100 or lower.

A reinsurance company's earnings from investing customers reinsurance premiums are used to cover the difference if the combined ratio is over 100.

COMPANY	Policyholders' surplus (reinsurers only)	Net reinsurance premiums written	Net reinsurance premiums earned	Losses and loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio % 1984	1983
American Agricultural Insurance Company	67,811	83,578	87,986	79,637	90.5	11,502	13.8	104.3	106.7
American Independent Reinsurance	32,350	94,190	92,954	77,339	83.2	28,987	30.8	114.0	109.6
American Mutual Liability Insurance		22,623	21,594	23,551	109.1	6,408	28.3	137.4	122.6
American Mutual Reinsurance	5,027	16,421	15,246	21,914	143.7	935	5.7	149.4	136.1
American Overseas Reinsurance	19,625	12,991	9,250	7,899	85.4	4,470	34.4	119.8	106.2
American Reinsurance	290,537	441,525	429,480	395,433	92.1	156,493	35.4	127.5	114.9
American Union of New York	34,631	51,868	49,845	43,411	87.1	16,326	31.5	118.6	110.9
Baltica-Skandinavia Reinsurance	17,226	21,799	21,180	15,963	75.4	7,489	34.4	109.8	110.8
Buffalo Reinsurance	92,280	95,039	87,500	73,868	84.4	24,664	26.0	110.4	113.9
Capital Assurance Company	6,077	23,472	19,794	25,709	129.9	8,405	35.8	165.7	125.9
Christiania General	20,083	41,729	42,740	37,367	87.4	15,114	36.2	123.6	105.7
Cologne Reinsurance	11,879	14,001	14,680	14,083	95.9	4,361	31.1	127.0	121.5
Constellation Reinsurance	32,381	89,050	89,421	83,184	93.0	26,782	30.1	123.1	114.2
Constitution Reinsurance	65,734	131,239	128,063	109,658	85.6	41,946	32.0	117.6	109.9
Constitution State Management Company		83,148	74,418	72,544	97.5	23,929	28.8	126.3	118.5
Continental Cas. Company		51,438	49,745	43,482	87.4	18,394	35.8	123.2	121.2
Continental Reinsurance Corporation	76,946	118,316	113,866	88,547	77.8	44,919	37.9	115.7	116.8
Copenhagen Reinsurance of America	10,929	9,112	9,159	9,169	100.1	3,189	35.0	135.1	117.1
Country Mutual Insurance		7,780	7,596	6,505	85.6	1,769	22.7	108.3	103.9
Dominion Insurance of America	8,077	21,057	16,863	17,393	103.1	7,189	34.1	137.2	116.9
Dorinco Reinsurance Company	51,306	24,412	25,448	29,508	116.0	5,530	22.7	138.7	156.2
Employers Mutual of Des Moines		30,608	30,101	26,336	87.5	9,092	29.7	117.2	92.9
Employers Reinsurance	439,710	487,229	455,804	408,464	89.6	133,047	27.3	116.9	110.4
Ennia Reinsurance Company	19,508	27,344	24,141	24,777	102.6	8,235	30.2	132.8	119.4
Evanston Group		2,382	2,143	2,176	101.6	648	27.2	128.8	124.7
Excess Mutual Reinsurance	6,326	9,320	9,258	8,419	90.9	650	7.0	97.9	82.4
Farm Bureau Mutual of Michigan		760	746	664	89.0	132	17.7	106.7	104.7
Farmers Alliance Mutual		9,929	10,396	7,039	67.7	2,960	28.5	96.2	100.1
Farmers Home Mutual		637	647	955	147.6	45	7.1	154.7	121.2
Farmers Mutual Hail of Iowa		24,768	24,299	22,141	91.1	7,463	30.1	121.2	121.6
Federated Mutual Insurance Company		12,161	11,957	10,279	86.0	2,379	19.6	105.6	127.2
Federated Reinsurance Corporation	6,545	16,846	16,770	18,393	109.7	6,131	36.4	146.1	137.7
First American Insurance Company	4,531	9,828	8,618	4,957	57.5	4,111	41.8	99.3	106.7
First Excess and Reinsurance Corporation	9,637	11,940	11,484	13,327	116.0	3,696	31.0	147.0	130.5
First Horizon Insurance Company	30,154	18,443	16,189	15,988	98.8	6,180	33.5	132.3	117.6
Frankona Reinsurance Company	10,403	15,195	12,255	11,090	90.5	3,855	25.4	115.9	126.8
Fremont Reinsurance Company	48,466	77,726	78,599	69,122	87.9	22,479	28.9	116.8	120.1
Fuji Fire and Marine Insurance Company	5,529	2,366	2,168	2,234	103.0	648	27.4	130.4	99.3
Galaxy Reinsurance	4,618	4,503	4,164	4,974	119.5	1,428	31.7	151.2	118.8
Gamma Reinsurance	25,023	23,686	22,485	20,346	90.5	6,702	28.3	118.8	118.9
General Insurance of Trieste and Venice	17,194	30,110	30,278	27,450	90.7	9,561	31.8	122.5	118.0
General Reinsurance Group	710,749	1,065,297	980,643	939,179	95.8	332,372	31.2	127.0	107.1
Gerling American Insurance Company	10,557	952	945	832	88.0	107	11.3	99.3	97.9
Gerling Global	24,548	32,507	39,603	46,337	116.9	11,874	36.6	153.5	115.8
Great Lakes Reinsurance	19,909	9,471	8,010	6,648	83.0	3,473	36.7	119.7	124.1
Grinnell Mutual Reinsurance		24,934	24,816	24,166	97.4	4,806	19.3	116.7	98.2
Guilderland Mutual Reinsurance	6,289	10,830	10,502	9,426	89.8	2,216	20.5	110.3	123.9
Hamburg International Reinsurance	10,075	7,114	7,597	7,037	92.6	3,068	43.1	135.7	128.8
Hanseco Reinsurance	23,695	19,728	13,968	13,918	99.6	5,146	26.1	125.7	120.8
Highlands Insurance Company		17,707	17,086	18,406	107.7	2,602	14.7	122.4	120.7
Home Reinsurance Company	28,296	64,376	54,873	45,994	83.8	18,470	28.7	112.5	104.7
INA Reinsurance	131,310	189,190	202,197	200,823	99.3	63,534	33.6	132.9	117.9
Insurance Corporation of Hanover	20,502	16,819	16,501	15,627	94.7	3,138	18.7	113.4	109.0
Kemper Reinsurance	102,530	203,324	196,137	196,363	100.1	40,505	19.9	120.0	107.1
Liberty National	29,200	24,300	21,900	21,100	96.4	7,400	30.4	126.8	110.6
Mead Reinsurance	26,389	74,073	65,485	76,583	117.0	7,375	10.0	127.0	122.8
Mennonite Indemnity	1,966	2,197	2,182	1,298	59.5	821	37.4	96.9	85.0
Mercantile and General Reinsurance	23,678	31,834	29,033	30,344	104.5	9,072	28.5	133.0	121.4
Metropolitan Reinsurance	32,959	61,303	58,435	65,709	112.4	18,990	31.0	143.4	132.7
Michigan Mutual		28,820	25,194	22,001	87.3	9,128	31.7	119.0	100.2
MONY Reinsurance	48,944	33,721	32,396	35,746	110.3	11,379	33.7	144.0	119.8
Motorists Mutual		4,590	4,622	388	76.7	1,584	34.5	111.2	102.3
Munich Reinsurance Group	114,990	262,550	239,406	213,334	89.1	88,755	33.8	122.9	117.7
National Reinsurance	58,796	114,610	108,651	111,917	103.0	29,223	25.5	128.5	115.1
Nationwide Mutual		59,271	57,340	49,686	86.7	16,535	27.9	114.6	110.8
New York Insurance Exchange	182,560	217,959	217,739	217,450	99.9	81,421	37.4	137.3	119.6
Nordic Union Reinsurance	8,279	13,551	11,411	9,572	83.9	4,585	33.8	117.7	114.4
North American/Swiss Reinsurance	257,682	496,318	483,390	481,416	99.6	148,272	29.9	129.5	110.7
Northeastern of Hartford/First Reinsurance	36,452	66,669	69,062	67,840	98.2	20,425	30.6	128.8	114.8
NWNL Reinsurance Company	21,027	20,243	20,054	15,788	78.7	6,553	32.4	111.1	121.2
Ormond Reinsurance	2,929	8,615	9,149	10,288	112.5	2,777	32.3	144.8	119.5
Paladin Reinsurance Corporation	11,798	15,700	13,571	12,019	88.6	3,978	25.3	113.9	105.2
Philadelphia Reinsurance	25,354	28,482	28,460	23,400	82.2	8,938	31.4	113.6	116.6
Provident General Insurance		9,614	12,799	16,416	128.3	1,983	20.6	148.9	154.8
Prudential Reinsurance Group	170,317	450,424	437,438	530,857	121.4	122,866	29.5	150.9	122.0
Public Service Mutual		14,105	13,846	16,276	117.6	2,619	18.6	136.2	118.5
Puritan Insurance Company		51,300	49,200	47,000	95.5	13,100	25.5	121.0	126.0
PMA Reinsurance Corporation	15,382	29,816	27,071	21,094	77.9	9,514	31.9	109.8	112.2
Ranger Insurance Company		19,594	21,312	19,258	90.4	3,756	19.2	109.6	92.3
Reinsurance Corporation of New York	36,109	48,769	47,517	45,773	96.3	17,986	36.9	133.2	118.9
Reliance Insurance Company		19,159	19,415	18,234	93.9	5,115	26.7	120.6	119.3
Republic Western Insurance Company	50,171	31,149	29,641	25,039	84.5	7,816	25.1	109.6	111.1
Resolute Reinsurance Company	21,308	17,361	15,459	11,439	74.0	5,892	33.9	107.9	116.5
San Francisco Reinsurance	21,923	57,651	63,095	59,934	95.0	18,112	31.4	126.4	116.7
Scor Reinsurance	30,437	19,095	23,088	21,065	91.2	7,000	36.7	127.9	111.9
Security Insurance Group		36,074	31,288	32,219	102.9	11,197	31.0	133.9	115.6
Seibels, Bruce Group		111,418	94,944	109,464	115.3	39,516	35.5	150.8	111.5
Shelby Mutual Insurance		3,769	3,582	3,058	85.4	1,426	37.6	123.0	111.9
Shelter Insurance Company		5,481	5,452	3,909	71.7	1,617	29.5	101.2	110.7
Sirius Reinsurance	8,500	12,471	11,310	9,757	86.3	4,155	33.3	119.6	116.3
Skandia America Group	87,073	255,960	222,157	230,817	103.9	73,989	29.7	133.6	112.6
Southwest International (SIRCO)	7,574	3,557	5,098	4,157	81.5	1,683	47.3	128.8	149.7
St Paul F & M (ETMC)		65,516	53,696	54,981	102.4	20,958	32.0	134.4	130.2
Stella Reinsurance for Hansa/Zurich NY	22,160	15,054	15,187	10,908	71.8	6,118	40.6	112.4	125.0
Summit Fidelity and Surety	14,136	4,639	5,125	4,641	90.6	1,373	29.6	120.2	111.1
Tea-Reinsurance of America	19,500	4,453	4,115	3,051	98.4	1,532	34.4	132.8	164.9
Transatlantic Reinsurance	91,816	132,596	138,691	155,459	112.1	34,380	25.9	138.0	126.2
Trenwick America Reinsurance	20,254	3,599	6,367	8,302	130.4	1,161	32.3	162.7	127.1
United Fire and Casualty		4,913	4,732	6,918	146.2	1,211	24.7	170.9	134.2
United Reinsurance Corporation NY	12,192	4,918	4,841	5,926	122.4	1,885	38.3	160.7	118.6
Unity Group	45,582	42,796	38,531	32,808	85.2	15,620	36.5	121.7	116.5
USF & G Group		36,025	35,599	31,221	87.7	7,164	19.9	107.6	108.8
Victory Reinsurance of America	7,702	3,874	3,757	3,650	97.1	1,250	32.3	129.4	139.0
Winterhur Swiss	70,541	127,814	103,932	82,739	79.6	42,222	33.0	112.6	116.5
All others	32,354	739,386	606,159	703,485	116.1	190,332	25.7	141.8	
TOTAL	4,227,037	7,879,886	7,404,142	7,296,706	98.5	2,343,315	29.7	128.2	

Source: Reinsurance Association of America.

A pause after hectic expansion

New York Insurance Exchange

WILLIAM HALL

AT FIRST SIGHT Sheikh Abdul Aziz Abdullah al Suleiman of Saudi Arabia and the People's Insurance Company of China would not appear to have a lot in common, but both are investors in syndicates on the New York Insurance Exchange (NYIE) and each in their own way have an interest in the success of New York's answer to Lloyd's of London.

This year marks the fifth anniversary of the establishment of the New York Insurance Exchange and, for the first time since its doors opened, the NYIE is pausing for breath after a period of rapid growth. But U.S. and foreign investors continue to follow in the footsteps of the Saudi Arabian Sheikh and the Communist-owned insurance company and beat a path to the fledgling New York insurance market.

Earlier this summer the Meadows syndicate joined the NYIE raising the total number of operating syndicates on the exchange to 48. "The industry should be entering a more positive cycle during the next two or three years and we are happy to be part of it," says Mr James R. Mascarella, president of the new syndicate, echoing the sentiments of many members of the NYIE.

The last 12 months have been a difficult period for the NYIE. After making money in the early part of the 1980s the syndicates operating on the NYIE lost a combined $10.2m in 1983 and $35.2m in 1984. Last year investment income of the syndicates rose by nearly a third to $37.3m but this was more than outweighed by sharply higher underwriting losses.

In the opening months of 1985 the operating performance has deteriorated still more. Underwriting losses of $23.7m are more than two thirds up on the same period a year ago and although investment income is up by a fifth at $10m it cannot camouflage sharply higher overall losses.

The syndicates lost an aggregate $11.3m in the first three months of 1985, more than double the loss in the same period last year and more than the total annual loss in 1982.

Mr Donald E. Reutershan, who has headed the exchange since its inception says that the results "parallel those in the rest of the industry" noting that the bulk of the NYIE's business is reinsurance." Because of that our losses tend directly to reflect the unprecedented underwriting losses suffered by the industry in 1984," says Mr Reutershan.

One of the most closely watched performance measures in the insurance industry is the combined ratio. This is the combination of the underwriting expense ratio which measures the ratio of underwriting expenses to premiums written, and the loss and loss expense ratio which measures the ratio of losses and loss expense incurred to premiums earned. Ideally, insurers aim for a combined ratio under 100, which indicates an underwriting profit. One over 100 generally indicates a loss.

In calender 1984 the combined ratio of the NYIE's syndicates rose from 119.6 to 137.3 and in the opening three months of 1985 it rose to 144.3 compared with 126.2 in the same quarter of last year. To put this in context the combined ratio of the U.S. insurance industry, which reported an underwriting loss of $21.3bn last year, rose from 111.9 to 117.8. Industry analysts forecast that the combined ratio this year will be 125 per cent for all commercial and property casualty lines, with underwriting losses continuing until at least 1986.

The U.S. insurance market was hit by a rare combination of events in 1984 which has had an undoubted short term impact on the growth of the New York Insurance Exchange. Severe and extended underpricing of property-casualty insurance, followed by a series of natural disasters and a catastrophic industrial liability loss resulting from the Bhopal disaster, led to an abrupt upturn in insurance industry pricing and a serious shrinkage in industry capacity.

The cutback in news business is reflected in the volume of the NYIE's gross written premiums which had grown by over a fifth in 1984 but shrank by 0.6 per cent to $80.6m in the first quarter of 1985.

Poor claims experience coupled with inadequate pricing caused some of the NYIE's syndicates to pull back during 1984 to protect their portfolios from further losses. In addition, the exchange has moved to curb excessive exposures by any one syndicate and protect the market's integrity by establishing business review guidelines.

When syndicates come within 30 per cent of any guideline limit, they are put on notice and required to file appropriate plans to indicate their continued compliance with the guidelines. If a syndicate exceeds the premium limits it is required to stop writing new business and bring its writings back within the officially mandated limits. Last year the enforcement of the guidelines required about 10 per cent of the market to either curtail writing at their current level of capitalisation or inject additional capital.

In a bid to further strengthen the New York market, the members of the NYIE increased the minimum capital requirements for new syndicates from $3.55m to $5m and increased the minimum policyholder surplus for continuing operation by more than a third to $3m.

Mr Reutershan says that the new minimum capital requirements will "provide greater financial security and underwriting flexibility." But in the short term they have helped stunt the market's growth and have been criticised by some NYIE brokers are overly conservative.

However, Robert Sanford, the president of Sargent, Wobber and Company and chairman of the exchange committee, the Insurance Brokers Association of the state of New York, argues that by establishing a standard for the whole market the new guidelines "do more than any other measure to give credence to the exchange as a single market, where equal confidence can be placed in all syndicates."

Donald Reutershan is conscious of the criticism that the NYIE is not growing fast enough and maybe not meeting some of the earlier heady targets for premium income. But he stresses that it is better to grow from a firm foundation, and, despite the horrible financial figures which are being produced by the NYIE syndicates in recent months, he is confident that the corner has been turned.

"While premiums now seem to be moving towards more realistic levels, it will take some time for the situation to stabilise and return the industry to general profitability. But the direction, at least is quite positive," he notes.

He admits that in the first five years of its existence there has been little need for the NYIE's added capacity. However, he notes the continued growth in membership, and the more than 100 U.S. and foreign owned brokerage firms that do business on the exchange, as evidence that the long range purpose of the exchange is becoming apparent.

"Now maturing, the market appears ready to provide the mechanisms for this needed future capital and capacity, thus serving the industry in the manner originally intended." More than 160 investors have joined with the Saudi Arabian Sheikh and the People's Insurance Company of China to supply capital to the New York Exchange.

Today there are only three broker reinsurance markets, as opposed to direct writers, that write more business than the NYIE in the U.S. As an insurance company it would rank eighth in size in the U.S. It is still small by the standards of Lloyd's of London but its early growth has not been marked by unseemly scandals.

David Seifer, a leading U.S. insurance analyst, says that the NYIE is important in that it is another capital source at a time when the industry needs capital. "It has survived and maintained its integrity," he concludes.

NYIE - Five year performance

	Net written premiums $m	Syndicates' surplus $m	Combined ratio %	Losses paid $m	Syndicates' profit (loss) $m
1980	15.9	97.6	125.3	0.1	n.a.
1981	49.9	126.4	110.6	3.7	5.4
1982	106.0	159.0	114.1	23.6	2.0
1983	175.5	169.5	119.6	48.4	(10.2)
1984	218.0	182.6	137.3	101.8	(35.2)

NYIE - Growth since 1980

	Syndicates	Investors	Brokers	Premiums per employee $m	Charges to syndicate as % of written premium
1980	21	89	70	0.9	4.8
1981	26	116	76	1.7	1.4
1982	35	133	86	2.3	1.8
1983	43	154	95	2.5	1.1
1984	48	160	104	2.1	1.4

Competitive conditions take their toll

CONTINUED FROM PAGE 1

He says that in London there has been "some shedding of underwriters in certain quarters with reputedly at least 60 people having been 'released' from their positions. This is seen as measure to tighten up generally and eliminate some of the 'cash flow' underwriting of former times."

In Monte Carlo this week the reinsurers will be taking soundings on the likely rates which will be set in the renewal season which will get under way shortly after the convention. Although reinsurance underwriters at the two previous conventions have adopted a "get tough" policy this approach has yet to be reflected in their organisations' results. The more conservative underwriters are predicting that real recovery is some way off and that some of the trends have been misleading.

Meanwhile, reinsurers continue to be worried about the underlying security of their market, which has been eroded by years of aggressive competition. Company failures are predicted, but the main worry for the reinsurance community is that the withdrawal in underwriting capacity may not be sufficient to change the fortunes of its business cycle.

New Lloyd's building under construction in Leadenhall, London.

Pressures ease but more casualties are likely

Security of policies

CHRISTOPHER MORRISON

ALTHOUGH more than seven years of highly competitive reinsurance market famine has now eased, the arrival of the feast could come too late to save many already severely weakened companies.

There is growing concern in world insurance centres that the recent "soft market" era, the longest in insurance living memory, with rates plunging to desperately low levels for many types of business, will extract casualties for some time to come as the claims continue to roll in, long after inadequate premiums have been exhausted.

During the past year concern has heightened about the security available from many reinsurance companies; as casualties have mounted, insurance brokers increased their bad debt provisions and insurance companies failed to collect from their insolvent reinsurers. In addition, legal disputes, almost unheard of 20 years ago in the reinsurance business, have become commonplace as verious parties wrangle over policy wordings and interpretations against a background of mounting, and in some cases unimaginable, losses.

Arguably, the biggest shock to the system to date, however, occurred in March when the Insurance Company of Ireland, one of the largest insurers in the Irish Republic and a major operator in the London insurance market, was suddenly rescued by the Irish Government.

At that time, the Insurance Company of Ireland's owners, Allied Irish Banks, told the Government that it no longer felt able to shoulder what had become a dramatic rise in its subsidiary's losses, largely from the insurer's London branch.

The Government moved swiftly to save the Insurance Company of Ireland (ICI) by putting it under state control to prevent a collapse of vital commercial insurance cover throughout the Republic and stop a banking crisis, as well.

This development has led many to speculate about the ultimate fate of the ICI. The latest official losses have risen to around £150m but there are fears that this could climb much higher if there are any significant collection problems with the troubled company's own reinsurance arrangements.

There was intense relief throughout the London market when the Irish Government stepped in to help the ICI since the company's London branch had provided very extensive insurance and reinsurance facilities during the past few years. But this relief has turned to caution in the past few weeks as concern is expressed about the willingness of the Irish State to continue funding the operation if more losses appear.

Concern

Much of the concern has arisen over the ICI's own heavy reinsurance arrangements. In order to accept large lines of business, the London branch reinsured, or laid off, about 85 per cent of its commitments with other reinsurance carriers. Recent figures released to reinsurers protecting two large sections of the ICI's London account have revealed a worsening claims picture, helped along by a great deal of U.S. liability business.

In addition a "number or errors" have been admitted by the ICI over the protection arrangements.

Many of the Insurance Company of Ireland's reinsurers have been unimpressed with the performance to date. Mr Ron Corbett, currently acting as the company's general manager in the UK, was obliged to arrange a lengthy trip around several continnents to persuade his reinsurers to pay.

If any significant difficulties are encountered in reinsurance collection, the overall losses at the ICI could balloon up to £500m and possibly well beyond.

Past reinsurance security scares have usually focused around smaller companies often operating from less-regulated locations. But while many such companies have come and gone, the problems they cause to the often imprudent and greedy are containable within a multi-billion dollar international industry. The fears this year, however, surround some of the much larger companies, such as the Insurance Company of Ireland, whose demise would cause real and lasting damage to the chain of financial security.

In the offshore haven of Bermuda, several large reinsurance captives, owned by industrial concerns for their own insurance arrangements but accepting third-party insurance business as well, have gone down. The United States has witnessed a rapid and debilitating growth in insurance insolvency, while, in London, whole sections of the international market operating through pools and underwriting agents have disappeared.

The bad news has been general throughout the business. Even some of the largest operations have not escaped a drenching with red ink.

It is almost inconceivable that the UK-based Prudential would let the Mercantile & General go down, but sentiment was shaken earlier this year when the UK's largest reinsurance company disclosed underwriting losses of almost £100m. While the M&G has been caught, in common with many, by some liability risks such as asbestosis that were not apparent when the business was written long ago, the company appears to have suffered half its losses in just one account that was aggressively written since about 1979.

Over at Victory Re, wholly-owned by another UK composite giant, Legal & General, continuing bad results has led to the parent company discreetly injecting more capital totalling £12.65m.

Some of the smaller companies operating in the London market have also been declaring terrible news. Twelve months after stating that the outlook for 1984 and beyond "is more encouraging than for the past two years," Bishopsgate Insurance revealed a loss of £2.07m against the 1983 profit of £201,000.

Orion Insurance turned a 1983 profit of £3.7m into a loss of £8.14m while Iron Trades revealed a problem of lack of control when it disclosed that a former employee had accepted £20m of unauthorised reinsurance business. Substantial provisions had to be made to cover the liabilities.

Meanwhile, in the U.S., steelmaker Armco has been forced to pour millions of dollars into its once-proud insurance empire to save it from collapse.

With disastrous results common across the board, reinsurance customers and their brokers have started to place considerable emphasis on security.

A flight to quality has been one of the reasons for some of the dramatic prices increases reported during the past few months. The larger reinsurance carriers have at last been able to make higher rates stick in the absence of widespread capacity seeking business at almost any price.

But a flight to quality can only occur when the quality can be identified. To help meet such needs a number of independent operations have sprung up on both sides of the Atlantic to produce independent financial information about reinsurance companies.

Most of the operations have restricted themselves to straight statistical analysis, a task admitted to be very difficult given the multitude of accounting practices found throughout the world.

One of these services run by Insurance Solvency International has recently been endorsed by the British Insurance Brokers' Association with the comment by Association chairman, Mr Dickie Alexander, that it was "a first step in developing BIBA's role in assisting insurance brokers to monitor the security of insurers."

Association members can subscribe to the service at a reduced rate which, in 1984, analysed the results of around 900 insurance and reinsurance companies in 24 countries.

Nevertheless, the problems in vetting reinsurance companies across the world are staggering. The numerous accounting standards often prevent comparative information emerging while certain practices often hide the true financial state of health of a company. Most locations have their accounting critics including the UK.

In 1982 one of the statistical services, Financial Intelligence and Research, castigated the UK insurance business by suggesting that published profit-and-loss accounts "are, to a large extent, meaningless when used for purposes of establishing comparative underwriting performance."

Due to variations in accounting policies, the underwriting profit of one UK company was the underwriting loss of another, it noted.

As a result of this type of confusion, many customers of reinsurance services rely a great deal on their own market intelligence. The more astute are always on the look-out for possible signs of changing fortunes such as sudden switches in management philosophy, movements of key personnel and changing commission arrangements.

The "no standing" sign that went up in the Insurance Company of Ireland's London claims office just before the Irish Government's intervention was also noted with interest by more discerning claims brokers.

Underwriters now take a more selective approach to business

Market in Bermuda

ROGER SCOTTON

THE MEMBERSHIP register of the Bermuda Independent Underwriting Association (BIUA) says it all.

This time last year it listed the names of 30 companies, most of them writing substantial books of unrelated commercial reinsurance. Now it is down to about 15 and Mr Rob Rosser, BIUA chairman, has grown tired of sticking his neck out and predicting it will not fall further. "I've been proved wrong too many times," he says ruefully.

The casualty list of reinsurers that have recently pulled out reads like a who's who of corporate America.

Walton Insurance, Phillips Petroleum's subsidiary, was among the first to go and dropped out in 1983 after suffering huge losses. Next, was Cambridge Re, a captive, owned by National Sea Products of Nova Scotia, which stopped underwriting in April 1984 and has since gone into liquidation.

Exxon's giant Bermuda-based insurance arm Ancon called a halt to its unrelated writings last year. Gulf Oil's Insco was hard on its heels, announcing last October that it had decided to stop all reinsurance activities and would eventually close its offices in Bermuda.

Last man out was the controversial Mentor Insurance, an insurer owned by Ocean Drilling and Exploration Company of New Orleans. Mentor stopped writing at the end of December and is now being compulsorily liquidated by the Bermuda Government.

Unrelated premiums — that is commercial premiums flowing from risks not connected to parent groups — written by the three oil company reinsurers that pulled out last year totalled almost £255m. The drop-outs, by no means limited to the oil industry, are part of what Mr Jonathan Crawley, the vice-president of Bermuda's only publicly quoted reinsurer, Aneco Reinsurance, describes as a galloping contraction in international reinsurance markets, which has already wiped out more than 30 per cent of world-wide capacity.

"Bermuda has quite definitely made a disproportionate amount of noise in relation to its size," Mr Crawley says. He estimates that only about $120m of unrelated commercial premiums are written in Bermuda by probably a dozen independent or non-captive professional reinsurers.

He regards the recent withdrawals as "spectacular and truly unprofessional" and says they have tainted the Bermuda jurisdiction and raised doubts in the minds of customers. Yet he argues that the remaining professional reinsurers are unlikely to suffer any direct financial pain as a consequence.

"Most of us have been selective. We sought business from other sources and did not trade with the companies that have pulled out," he says. Besides, a customer does business with a professional reinsurer because he is happy with the company's financial statement. He is not put off simply because the reinsurer happens to live just across the street from Mentor."

The selective approach to underwriting is mirrored in the theoretical spare capacity of Bermuda's 1,200 registered captives and independent reinsurers.

In 1983, the latest year for which government figures are available, their capital and surplus stood at $8.3bn, against gross premiums of $6.5bn, and net premiums of $4.7bn. Of the latter figure, about a quarter came from related risks.

The rest flowed from unrelated reinsurance and direct insurance, including business ceded from outside Bermuda. However, not all the apparently spare capacity is available capacity.

Almost half of the colony's approximately 950 captives, for example, have no intention of underwriting anything other than their parent company's risks. But Mr Rosser, the BIUA chairman who underwrites for the Risk Exchange Association, says that of those carriers which are either captives doing outside business or pure commercial reinsurers, the majority are writing at a premium to capital-and-surplus ratio of between 1 to 1 and 2 to 1 and can therefore still offer considerable capacity — for a price.

He says that rates on facultative business have increased this year by anything up to 300 per cent while premiums on treaties, which represent by far the biggest slice of business shown to Bermuda companies, are roughly 40 to 70 per cent higher.

He argues rates will need to remain high to offset large underwriting losses suffered over the last five years and that many reinsurers are unlikely to be firmly back in the black before 1987.

Mr Rosser explains the irony of companies pulling out at the very time that the market is turning as owing more to the thinking of corporate financial managers than to professional insurance types — people, he says, who understand the industry's cyclic nature.

"The financial managers don't want to wait three years for the underwriting profits to start showing through," he says. Some independent underwriters here think that the recent withdrawals by firms that could not wait is making life particularly hard for the remaining captives writing unrelated business.

But GTE Reinsurance, the Bermuda captive of the giant U.S. communications group GTE Corporation, disagrees.

Its general manager, Mr Ken Biersack, says: "There are some cedants that will probably never accept the security of a Bermuda company, but in general the shortage of capacity has given us a chance to participate in business we have not participated in before."

Which is not to say that GTE Re is writing everything that comes its way. On the contrary, the captive is writing less than ten of every 100 risks shown to it.

Viewpoint

"A couple of years back we would have been writing 25 per cent of what we saw and we still thought we were being selective even at that rate," Mr Biersack says. "We are writing fewer treaties at higher premiums and we are able to say we will take contract only if the terms are improved. Before, it was more a question of take it or leave it."

GTE Re derives only about 30 per cent of its business from the GTE group and believes it writes more unrelated business than any other reinsurer in Bermuda.

Last year, its net earned premiums on property and casualty rose 46 per cent to $97.8m and this year it is going for growth of about 12.5 per cent.

"Our premium to capital and surplus ratios is about 1.8 to 1 and we want to remain within 2 to 1," Mr Biersack says.

Profits are another matter. GTE Re's net income has fallen sharply every year since 1981 when it peaked at $15.4m. Last year it plunged 86 per cent to just under $170,000, thanks to a $42m transfer to reserves, which now stand at $182m.

Mr Biersack expects a full return to underwriting profits in 1986. He maintains that GTE Re's parent is aware that its captive's results are subject to cyclical flows and have to be viewed over a period of time rather than in any one year. But he concedes that return on investment is his top priority.

"It is true that we are very concerned about how the parent views us, but we have been averaging a 19 per cent return on investment which is ahead of GTE's corporate goal of 15 per cent," he says.

Until now, GTE Re has concentrated on property and casualty treaty business. But this year it is linking with a new Johnson and Higgins underwriting facility and expanding into facultative property risks. The facility is Victoria Underwriting Agency — a company set up by J and H with a capacity of about $2m which will soon be accepting placements on GTE Re's behalf.

It will be offering underwriting services to managed captives and expects to write about $5m in gross premiums during its first year. Victoria Underwriting has already established a pool of about 15 companies, some of which have joined GTE Re in taking an equity position in the new operation.

Mr Brian Hall, president of J and H's Bermuda office which is the largest captive manager here with 140 companies on its books, says the time is right for Victoria.

But not all the captive managers are rushing to climb on the bandwagon and provide underwriting services just because capacity has shrunk and rates are up.

Mr Bill Pymm, chairman of Marsh and McLennan's Bermuda operation, says his company has no plans to follow Johnson and Higgins lead. "We are positively not interested in getting into underwriting," he says adamantly. "Now may be a good time to do it, but what's the point in doing well for a while and then finding the cycle has started to begin all over again?"

Mr Pymm's company, part of the world's largest insurance broking group, looks after about 80 captives and ranks as Bermuda's third largest manager. "Our philosophy is to stay away from underwriting unrelated business," he says.

Yet he is immensely bullish on the outlook for pure captives and thinks the reasons for their formation are the same as they have always been, namely greater risk management control, access to the reinsurance market and the use of funds which would otherwise be employed elsewhere.

"Bermuda," he says, "has had a bad press as a result of captives underwriting unrelated business. Our advice to companies is always to stay out of it."

Citibank is forewarning customers that if the bank regulators impose a reserve asset requirement on LC's (letters of credit) then this will have to be reflected in their cost. It is also encouraging customers to open letters of credit which are fully cash secured. Chase Manhattan (London Wall office left) says it will maintain its current pricing until such time as the bank regulators make their decision on reserve asset requirement which may well vary for differing risk

Higher prices to reflect risk

The role of the banks

MARGARET HUGHES

WITH BANK regulators taking a closer look at the off-balance sheet business, many reinsurance companies are likely to find letters of credit both more difficult to obtain and more costly. This comes at a time when U.S. insurance regulators are increasing the requirement for letters of credit to offset reserves against future claims for reinsurance business ceded out of the U.S.

U.S. bank regulators, which have been taking a closer look at all banks' standby facilities including letters of credit, have already indicated that they are likely to apply reserve asset requirements for this type of bank business.

Some banks, which are active in providing letters of credit to reinsurance companies, are themselves already voluntarily altering their treatment of all letters of credit except for those which cover pure trade transactions. They are setting capital aside to support them and including LCs as assets in their return on asset calculations.

Treating letters of credit as a risk like any other on the balance sheet the banks are thus more selective in extending their letters of credit and have or are about to pass on the reserve asset costs to their customers.

In the past, letters of credit extended for reinsurance purposes have tended to be cheaper than other types of letters of credits partly because, on past performance, they are less likely to be called. Banks, particularly those which have been keen to move into a business that, until very recently, has been dominated by Citibank have thus priced their LCs to reinsurers very finely. Some are still doing so. But the trend now is towards pricing which more truly reflects the potential risks.

Reinsurers can, therefore, expect very substantial increases in the price they pay for their LCs—in some cases, prices could be doubled. Bankers Trust, for instance, have already either raised their prices or warned their customers that they will be doing so at annual renewal.

Citibank is also forewarning customers that if the bank regulators impose a reserve asset requirement for LCs then this will have to be reflected in their cost. It is also encouraging customers to open letters of credit which are fully cash-secured.

Chase Manhattan says it will maintain its current pricing until such time as the bank regulators make their decision on reserve asset requirement which may well vary for differing risks.

Reinsurers who do not have long-standing and wide-ranging relationships with a bank in this specialist business will also find it more difficult to raise an LC. Those banks which have been in the business for some time admit they are now turning away new customers, restricting their business to good long-standing clients.

Some reinsurers are already finding that banks are battening down their hatches, sometimes even to existing customers.

All this is happening at a time when the National Association of Insurance Commissioners (NAIC) in the U.S. is extending the requirement for LCs.

Irrevocable letters of credit, issued by banks, are widely used by foreign or non-admitted companies reinsuring business out of the U.S.

As the amount of insurance ceded out of the U.S. to London and elsewhere has increased, so letters of credit have grown into a multi-billion dollars market. At the end of each year, U.S. and Canadian insurance companies have to satisfy their respective insurance commissioners on the adequacy of their reserves. Where the business has been ceded to reinsurers, these reserves must include those apportioned to the reinsurers.

The main use of LCs by non-admitted reinsurers has been as an alternative to cash balances in supporting these reserves. They are widely used as an alternative to outstanding claims advances (OCA). These are the cash deposits or other securities advanced by foreign reinsurers to the U.S. ceding companies. They are used to offset the reserves for losses which the primary insurers are required to set aside to cover losses on reinsured risks once a loss has occurred and been reported to the reinsurers.

Using LCs in lieu of OCAs has the advantage of freeing cash which would otherwise not be earning a return if put up as OCAs. Letters of credit are also appropriate for facultative reinsurance which is individually negotiated reinsurance business and where OCAs are generally not extended.

Other uses for letters of credit in the reinsurance business include their use to cover that portion of the primary insurer's unearned premium reserves which are due to the reinsurer. They can also form the "corpus" or assets of the trust funds which a non-admitted insurer is required to establish with a U.S. bank to enable them to undertake "surplus lines" insurance business in those states which allow them to do so.

But just over a year ago the NAIC ruled that IBNR (losses incurred but not reported) apportioned to non-admitted insurers now also have to be offset either by cash or by a letter of credit. This has substantially increased the volume of the LCs market for reinsurance purposes.

It is a market in which Citibank has had a virtual monopoly for some 23 years. Other U.S. banks such as Bankers Trust, Bank of America, Chemical and most recently Chase Manhattan have made some inroads into the sector. But under present regulations it is a market which is closed to foreign banks, much to the frustration of British banks, given that so much of the reinsurance business ceded out of the U.S. is done in London.

The NAIC will only accept letters of credit issued by those banks which are members of the Federal Reserve System or are U.S. state chartered banks. British banks are, therefore, only able to undertake this business through U.S. subsidiaries which meet the NAIC requirements. But the amount which they are able to do is minimal since this is tied to the capital base of that particular subsidiary. They would be subject to individual state regulations also.

British banks, which are anxious to establish a presence in this market, have for some time been attempting to get this restriction lifted. Having failed to do so through the appropriate banking channels, the matter was earlier this year referred to the Department of Trade and Industry, (DTI). The Department, which regards the ruling as a restrictive trade practice, has protested to the New York State Insurance Commission which is by far the most important of the U.S. insurance commissions.

The issue was also discussed at this summer's meeting of the Institute of Foreign Bankers, the body which represents foreign banks in the U.S., as a result of which a task force has been set up to investigate the whole issue. There is some hope that the situation will now be discussed at the next NAIC meeting in December. However, there seems immediate prospect of the market being opened up to non-U.S. banks despite the fact that the expected tightening up of bank regulation LCs may well restrict the availability of LCs to reinsurers.

Meanwhile, the parallel firming-up of U.S. insurance regulations is prompting more reinsurance, as well as primary insurers, to enter the U.S. market directly to benefit from the advantages of being an accepted insurer in the U.S.

Since licensing of a new company is a very lengthy process, many are doing so through acquisitions.

Eye to be kept on categorisation

Growth of litigation

RACHEL DAVIES

WOE TO the reinsured who gets his categories wrong!

One would have thought he might be forgiven for thinking that premium adjustments on aircraft hull policies came within his authorisation to insure aircraft liability.

But no, it does not—it is categorised as financial loss, and if he insures it while unauthorised to carry on financial loss business he must suffer the consequences.

On that the stern voice of the law is unanimous in three otherwise differing High Court decisions—the *Bedford Insurance* case (*Law Report, FT, November 16 1983*), *Stewart v Oriental Fire and Marine Insurance* (*FT, May 2 1984*) and the *Phoenix* case (*FT, August 20 1985*).

All three agree that an insurer or reinsurer who conducts business for which he has no authorisation from the Secretary of State for Trade under the Insurance Companies Acts of 1974 or 1982, is prevented from claiming under contracts transacted in the course of that business.

Where the judgments differ is with regard to the legality of the contract itself and the position of the innocent insured or reinsured who was unaware of any lack of authority and who believes himself to be protected.

In *Phoenix* Mr Justice Hobhouse has cleverly sorted out potential problems arising from conflicting points of view expressed in *Bedford* and *Stewart* by agreeing with a little bit of each here and there and disagreeing elsewhere.

Two years ago the insurance world was thrown into its equivalent of strong hysterics by the *Bedford* judgment where Mr Justice Parker held that as it was an offence to "effect and carry on" unauthorised insurance business, any unauthorised insurance contract was illegal and void.

What was disturbing was that though the judge pointed out the purpose of the Act was to protect the insured, he also commented that, though innocent, they would be unable to recover under the contract.

He reasoned that since the contracts were illegal and void the insured could acquire no rights under them. Also, it would be an offence for the insurer to pay the insured and if they were to receive payment, and were by then aware of the illegality, they would be aiding and abetting in the offence.

The resultant prospect was a nightmare of uncertainty, hardship and litigation affecting innumerable links in innumerable reinsurance chains encircling the world.

When the *Stewart* case came before Mr Justice Leggatt there were hopes that this would be remedied, but though he reached a happy conclusion from the point of the insured, both judgments carry the same weight in our system of precedent, and neither has gone to the Court of Appeal.

Mr Justice Leggatt said that the statutory prohibition was against carrying on unauthorised "business," and not specifically the effecting of the contract, so that the contract was not necessarily illegal and unenforceable.

Like Mr Justice Parker he pointed out that the purpose of the Act was to protect the public. He said that it would be wholly undesirable to allow offending insurers to keep premiums while releasing them from their obligations to pay claims, and concluded that unauthorised contracts were enforceable by the innocent insured.

In *Phoenix* Mr Justice Hobhouse agreed with him that the innocent insured or reinsured had a remedy against the unauthorised insurer or reinsurer, but he arrived at his decision by somewhat different reasoning.

He broke the question down into three parts. In the first place was there a criminal offence? If so, what was the extent of the illegality? And, third, what were the consequences?

Having found there was an offence in the case before him (unauthorised premium adjustment business, relating to aircraft hull problems), he agreed with Mr Justice Parker that the illegality attached to the insurer's act in "effecting and carrying out the contract of insurance by way of business," but disagreed as to the extent of that illegality.

He concluded that it only extended as far as the unauthorised insurer who, having committed a criminal offence, would be subject to imprisonment or fine. It did not affect the validity of the actual contract.

That means that in his view an innocent insured has a right to claim damages from the insurer for non-performance—if not actually for failing to perform the prohibited contract, then for breach of contract in having impliedly agreed that he would obtain the necessary authorisation.

As for reinsurance claims by the insurer, these will fail not because the contract is void, which it is not, but because the courts will not assist a party who has to call in aid his own illegality in order to establish his cause of action. Nor will he be able to claim against the innocent insured for unpaid premiums.

So, from Phoenix a sensible and practical solution emerges: an unauthorised insurance contract is not void; it is enforceable by the innocent insured; but it is of no assistance to the unauthorised insurer as against insured or reinsurers.

Unfortunately, however, the *Phoenix* judgment carries the same precedental weight as *Bedford* and *Stewart*. Phoenix may do the insurance world a favour and appeal but, unless it can convince the court that the appropriate category for its premium adjustment business "aircraft" or "aircraft liability," success would seem unlikely. It is up to the insurer or reinsurer to make sure that he has the appropriate authority and to see that he operates within it.

He may be unaware of his own illegality and may not have acted in bad faith, but he is nevertheless expected to operate in a proper and businesslike manner. If he does so and all contractual requirements are satisfied, the reinsurer has no option but to pay up.

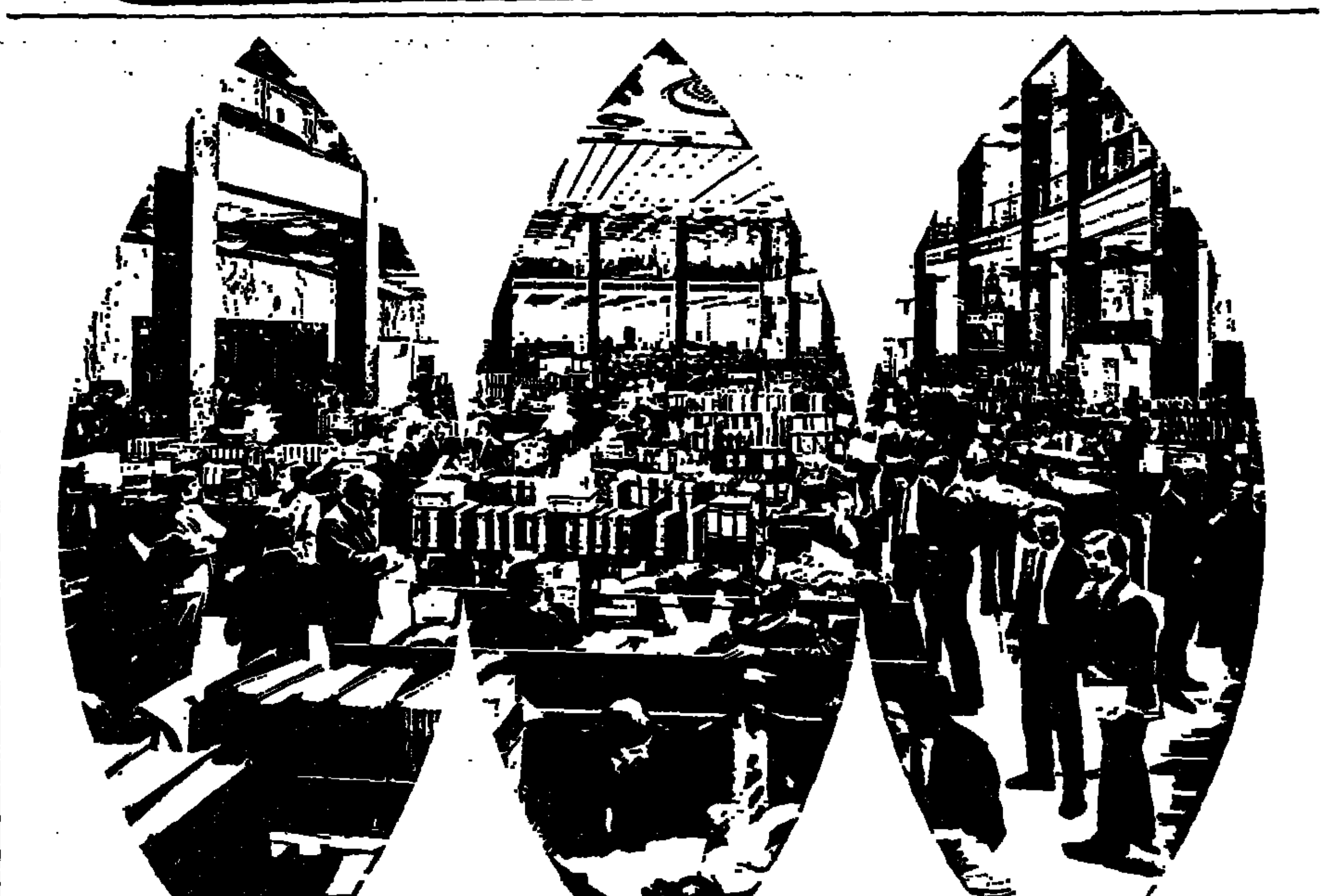
That was emphasised in *Insurance Company of Africa v Scor* (*FT January 11 1983, November 30 1984*) where Mr Justice Leggatt and later the Court of Appeal, held that reinsurers could not defeat a claim under a follow the settlements clause where the insurers had acted in good faith and had taken all "proper and businesslike steps" to have the amount of the loss fairly and carefully ascertained, notwithstanding that the original claim might later prove to be fraudulent.

Another case on a totally different aspect of the reinsurance market which has left an element of uncertainty despite an appeal, is *The Zephyr* (*FT November 1 1983, July 30 1985*).

At first instance, Mr Justice Hobhouse held that a broker was liable in damages to a reinsurance underwriter for negligently giving an inaccurate signing down indication on which the underwriter relied, exposing himself to unexpectedly high liability.

The decision was reversed on appeal because whereas the judge had found there was an implied signing down indication, the Court of Appeal found there was none—merely an inference drawn from an indication given to someone else.

It was therefore unnecessary to decide whether a broker can in fact owe a duty of care to a reinsurance underwriter when giving a signing down indication, and the principle is still open to argument. The Court of Appeal did, however, express doubts that it was capable of existing in law—no doubt to the relief of many a broker.



REINSURANCE 6

Cautious approach taken by market

Underwriting agencies

STEFAN WAGSTYL

THERE ARE still unsettled times ahead for company underwriting agents in the London reinsurance market.

For while the worst seems over for the agencies after several years of unprecedently tough competition and often intense criticism of some of their activities, but the market continues to treat many agencies with a great deal of caution.

This attitude is influenced by a number of factors:

● First, although insurance rates have improved, those increases will not work their way through fully to company profit and loss accounts for some time. In the meantime, the profit and loss accounts continue to suffer from claims on policies written in the early 1980s when rates were at their lowest.

● Similarly, while the market has learnt to its cost to be more selective about giving agents a free band with the underwriters' pen, companies are still busy sorting out the problems caused by policies written up to five or six years ago. The effects of dishonest and/or incompetent underwriting agency work continue to be felt long after the agencies themselves have been exposed and closed down.

● Thirdly, abuse is not entirely a matter of past history. In July, Mr Glyn MacAuley, specialist insurance partner at accountant Neville Russel, condemned the practice of "fronting," where independent agents, acting on behalf of foreign insurers, accept high-risk business which is off-loaded on to the reinsurance market — without the insurer's knowledge.

Speaking at a seminar on "Control of the Insurance Industry," Mr MacAuley said that fronting held "extremely serious" implications for the stability of the London market —"It is the black economy of the insurance market and can be designed to boost the commission income of intermediaries without any regard to the quality of the risk or the interests of the insurer and the insured," he said.

There is little doubt that agencies perform an important role in the reinsurance market, principally in representing in London overseas insurance companies. Top London insurance brokers — among them Sedgwick Group, Willis Faber, and Hogg Robinson — run underwriting agencies with long-standing clients on their books.

As Mr Macauley says, agencies allow insurers to be represented more cheaply and often more effectively than by opening their own offices — "there's no reason why an agency deal cannot be a good set up. You can't open your own office in every country in the world."

The difficulties lie in keeping a proper control of the agent's activities, as some insurers have learnt to their cost. They rushed into the London market when it was expanding rapidly in the 1960s and 1970s only to run into trouble when underwriting profits turned into heavy losses in the late 1970s.

The underlying reason for a decline in insurance rates was surplus capacity in the market which hit insurers with directly run subsidiaries as much as those represented by agencies. But the overall fall in profitability exposed agents who abused their principals, most commonly by acting well beyond the limits of their authority by taking on too much high-risk business.

The market is still living with the results of this flood of poorly controlled underwriting. The most recent example is the case of the Insurance Corporation of Ireland, which was saved from collapse only by the intervention of the Irish Government.

Although the group had a London office, it used agencies extensively to expand its business, earning a reputation for not being particularly selective in its choice of risk. It found that it could not control the underwriters to whom it had granted binding authorities.

Unfortunately, the precise legal position of the offices of overseas insurance and reinsurance companies is unclear. If the foreign company accepts business in the UK through a branch office or an independent subsidiary or has an agent with underwriting authority it needs to have authorisation from the Department of Trade and Industry. If, however, the London office is merely a contact point passing on business underwritten offshore, such authorisation is not required.

The distinction is not as simple as it seems. Britain's Department of Trade and Industry had planned to lay down more detailed guidelines following two court cases — The Bedford Reinsurance Company v. Instituto de Resseguros do Brasil; and B. A. Stewart v. Oriental Fire and Marine Company. However, its review has been delayed by other cases now before the European Court of Justice, which concern the freedom of the provision of services in the European Community. These are unlikely to be heard before next year.

As a result, as Mr Alex Fletcher, Minister for Corporate and Consumer Affairs, said in a Parliamentary written answer in July, individual cases will be considered as they arise.

The insurance industry itself is of course anxious that any new regulations should not restrict the legitimate operators in the market.

"It's difficult to know how to bring the regulations in without messing up the market," says one underwriter.

And indeed, whether new regulations come or not, many of the most effective solutions are in the market's own hands.

Insurers are already far more selective than before in choosing their agents and more careful in composing effective binding authority agreements.

Brokers are more cautious in dealing with lesser-known underwriting agencies. As in other fields in the insurance market there are blacklists of suspect operators.

Brokers, insurers and underwriters agree that it is in their own interest that this kind of caution prevails, particularly if the present improvement in insurance rates continues. For nothing is more likely to tempt back some of the more reckless, if not dishonest individuals than the belief that there are once again rich pickings in the London reinsurance market.

Dealing floor at Lloyd's: Brokers, insurers and underwriters agree that it is in their own interests that the current cautious attitude prevails

Focus on bread-and-butter business

ACTIVITY in the live reassurance sector has, in recent months focused its attention on its bread-and-butter business — the provision of reassurance facilities to direct life companies.

Competition for life reassurance has remained as keen as ever, though this sector of the reinsurance industry never reached the acute over capacity stage as was seen on the general reinsurance side, primarily because life reassurance has remained parochial in the UK.

For the past decade or two, the marketing efforts of life companies has been concentrated on savings products with a low element of protection and thus a lower need for reassurance. The loss of Life Assurance Premium Relief (LAPR) in the 1984 Budget has changed the emphasis.

The first effect of the loss of LAPR has been to boost the marketing of protection again, in particular the new style flexible and universal whole life contracts. These combine the protection and savings elements on life assurance in a flexible manner. Thus, there is a growing need again for reassurance.

This has been heightened by the type of life company promoting the scheme—the newer smaller company which cannot carry such a high level of risk as can the larger, longer established companies.

Thus, there is keen competition between the reassurance companies operating in the UK to secure the reassurance treaties for these new contracts. Rates are being fined down to secure the business—some claim that the rates are "ultra-competitive."

The features of these new whole life contracts is the in-built facility for the life company to change its charge for mortality—up or down—in light of experience. Reassurers have built into the treaty terms the facility to change the mortality charge in the light of its experience. The reassurers are having to pay careful attention to the underwriting standards of the life company when assessing the initial mortality charge.

However, the effect of the loss of LAPR has meant that life company savings products have lost their competitive edge over forms of savings contract.

The immediate answer by most life companies and life company salespersons was to switch their marketing efforts to pensions.

But pensions business per se does not produce a high level of reinsurance business since the protection element is low. So the reassurance companies are taking the initiative to encourage life companies to market their other strength pure protection contracts with no savings element.

With life companies poised to lose ther monopoly in pensions business, the life reassurances see protection as the area for life companies to concentrate their marketing.

These reassurance companies are encouraging life companies to expand this side of their business by giving advice on marketing pricing and design.

As far as pricing is concerned conditions in recent years have been favourable to life companies with mortality rates showing a good improving trend. This again is in contrast to the general side where experience has tended to be adverse in most sectors.

However, reassurers are perturbed by another development in life protection business—the effect of life companies offering non-smoking discounts on their protection business.

Competition has resulted in life companies offering higher and higher discounts to persons signing the non-smoking declaration. These non-smoking

Trends in life reassurance

ERIC SHORT

discounts rely entirely on the policyholder telling the truth in signing the declaration that he or she has not smoked cigarettes or small cigars over the previous 12 months.

Reassurers feel that many people — particularly the light smokers — are, as one person put it "tempted to bend the truth" when signing the declaration.

The danger is that this could upset the mortality assumptions made by life companies and its effect on reassurance companies, particularly as such rates already have fine margins built in.

The other problem in this field for reassurers relates to those life companies which still do not offer non-smoking discounts. These companies could end up with a preponderance of smokers in their protection portfolios thus worsening the mortality experience, especially if their premium rates are lower than those for smokers from those companies offering discounts.

It is still early days to discern trends in mortality arising from the discount. But reassurers are watching the situation carefully.

On the subject of mortality rates, no-one among the operators in the life sector heaved a greater sigh of relief over a recent court judgment than the reassurance underwriters.

Life underwriters, including reassurance underwriters, have always differentiated between the sexes in their mortality and sickness rates.

Women have lighter mortality rates—that is, they live longer than men—which means cheaper life assurance and protection and lower annuity rates. But underwriters assert that women are more prone to sickness than men, so Permanent Health Insurance cover (PHI) is more expensive.

Jennifer Pinder, a London dentist, with the backing of the Equal Opportunities Commission, challenged the right of life companies to differentiate on sickness rates on the grounds that the statistics used did not comply with the requirements of the 1975 Sex Discrimination Act.

However, the life company in question, Friends' Provident Life Office, was able to convince the judge otherwise so given official approval to life companies charging women higher premiums for PHI.

A decision the other way would have increased the pressure on life companies to introduce uni-sex mortality and sickness rates in their pricing structure. The inherent danger in this as far as underwriters are concerned is that it introduces a new and unknown factor into underwriting—the proportion of men to women in the risks being underwritten.

Life companies would look to the reassurers first to advise on procedure and pricing and second to take some or all of this extra risk off their hands.

Life companies may have won in the Courts. However, the Government's Green Paper on pension reform issued in June proposes in its new personal pension scheme that men and women will receive the same pension for the same contribution—a move that will be bitterly opposed by life companies.

Reassurance companies in the UK have found that other main areas of activity in recent years—assistance in the financing of new life companies has diminished over the past year. The need for finance goes hand-in-hand with the growth in new business. Life business needs more capital to finance than pensions business.

Thus the drop in new life business this year has eased the pressure on the newer companies to put up extra capital.

Nevertheless, the introduction of personal pensions could boost new business growth not only in pensions but in protection business as well. The scheme envisages married persons taking out personal pensions having automatic spouse's benefits provided.

The backing of reassurers in this new development will be needed for the reassurance, the underwriting, the pricing and the financing of this new potential growth area.

REINSURANCE 7

Keeping new rules to a minimum

The Lloyd's market

JOHN MOORE

SINCE the end of 1982 the Lloyd's insurance market has been introducing a series of reforms designed to improve its system of self regulation, stamp out abuses, and make its market more efficient.

The changes are of some consequence to the reinsurance community for Lloyd's is an important reinsurance centre with around £2bn of its annual premium income accounted for by the assumption of other insurance groups' risks.

Around the Lloyd's market there has been general unease that some of the reforms being carried out might over-bureaucratise the community and lose it its flexibility and competitive edge to attract business.

The troubles surrounding Lloyd's has made reform necessary. In the late 1970s Lloyd's realised that it would have to overhaul its antiquated system of its regulatory controls. The disciplinary procedures were cumbersome and hardly been changed in more than 100 years.

The market has expanded dramatically from a community formed of 675 members in 1871 to 26,050 members today, with much of that expansion taking place in the last 20 years. The Lloyd's regulatory infrastructure was unable to cope.

New legislation was sought in Parliament by Lloyd's to strengthen its regulatory powers and a new Act of Parliament came into force in 1982. Shortly after the passing of the new Lloyd's Act a series of scandals erupted within the community which suggested that things were seriously wrong.

Speaking at the American Bar Association's convention this summer Mr Ian Hay Davison, Lloyd's chief executive, said that in a few cases underwriting agents at Lloyd's, who looked after the affairs of the members, had taken advantage of the lack of adequate accounting procedures and "had defrauded their syndicates."

He said: "Contrary to the law of agency they (the agents) had allowed conflicts of interest to develop and had failed to put the interests of their names (the underwriting members) first. As a result they had extracted secret profits from funds belonging to their names."

In an effort to stamp out these abuses a series of procedures have been drawn up which rest heavily on the requirement that conflicts of interest and incidental profits which are generated by the insiders at Lloyd's should be disclosed.

Lloyd's, however, has been sensitive that too many rules might stifle the vitality of the market. "Minimalism," said Mr Davison, was one of the principles underlying Lloyd's programme of reform.

"The ruling council, he said, "has adopted a policy of brevity, with bye-laws defining the issues, regulations where needed to cover the necessary procedures, and non-mandatory explanatory notes, guidance notes or codes of conduct or practice to show how the basic rules may be compiled with."

Within its bye-laws Lloyd's is to define the position of codes of conduct or practice in the disciplinary process.

"These are seen as helping the market professional to comply with the general prescriptions laid down in the bye-laws: if he follows the code," said Mr Davison, "he will be in order. If he departs from the code for good reason after due consideration he will also be in order. But if he departs recklessly and heedless of the consequences, he may have to answer for a breach of Lloyd's rules.

"This philosophy puts the onus on the market professionals to decide for themselves how the spirit of the rules is to be followed, aware that our policy of disclosure will ensure that their judgments will be subject to routine scrutiny by their names, the market, the Lloyd's authorities and the public."

Two recent reforms highlight Lloyd's current policy. In August Lloyd's issued its rules on binding authorities and the approval of correspondents.

Binding authorities are a device at Lloyd's which allows outsiders to produce business for the market. Underwriters at Lloyd's give their authority to third parties to enable large lines of business to be produced for the market in a low cost arrangement. About 15 per cent of the market's business is produced by binding authorities.

In recent years the use of the authorities has come to be abused by outsiders. Low quality business has been passed to Lloyd's through these arrangements and often the unscrupulous holder of an authority has diverted premiums due to Lloyd's to his own interests.

Because of the problems with binding authorities Lloyd's has sought to impose some controls while at the same time attempting to ensure that potential business producers are not discouraged from using the Lloyd's market.

In drawing up the rules, Lloyd's has sought to combine formal regulatory procedures with a code of practice. In essence the formal rules established under bye-law require that binding authority contracts should be evidenced in written form.

The code of practice which accompanies the formal rules gives guidelines on the operation of binding authorities and recommended provisions for inclusion in the autorities. The code of practice is not mandatory.

Lloyd's has also framed a formal regulatory requirement which is designed to establish a framework for the approval of business producers who use binding authorities. A "Correspondents Approval Committee" is to be established which will vet the holders of the authorities and ensure that they satisfy "fit and proper" persons criteria. This regulation is to come into force with effect from January 1 1988.

In another recent reform, a code of practice is intended to be introduced to deal with the problem of so-called "preferred underwriting" in the Lloyd's market.

Here, Lloyd's is attempting to deal with the abuse in which professionals inside Lloyd's often ensured that extremely profitable lines of business were passed to them, their associates or their families at the expense of their underwritnig members whose affairs they looked after.

Although it was recommended that the practice of preferred underwriting should be outlawed by a working party two years ago Lloyd's has decided to deal with the problem through a code of conduct because the nature of the offence is difficult to define.

The code states that managing agents, who look after the affairs of Lloyd's members must deal with conflicts of interest in conducting their business so that all members are treated fairly. It calls on managing agents to examine the manner of their operation and either to eliminate areas where conflicts may occur, or instigate a system of control which should be based on the principles of full and fair disclosure and fair treatment between underwriting members.

In other moves Lloyd's has adopted a tougher line. For instance it is to introduce a bye-law to ban ownership by a managing agent of an interest in an insurance company. This is to stop the diversion of underwriting members' money from the market by the working members of the market. However, Lloyd's executive committee may give permission for some of these relationships to exist, providing approval is sought.

In spite of the increased programme of regulation and reform underwriters in the market are confident that growth of the market will not be stifled. A survey of underwriters, brokers and Corporation of Lloyd's departments published earlier this year forecast that premium income will grow by approximately 15 per cent annually over the next five years.

But the Lloyd's project team carrying out the survey made several recommendations to enable the market to compete effectively. It said that there should be an extension of underwriters' direct dealing with non-Lloyd's brokers on "personal lines" business other than motor. Additional business would be placed at Lloyd's, according to the survey, if it were licensed or admitted in more countries.

The project team suggested that there should be a review of the entire claims service in the market, which has come under criticism over slow payment; and it has suggested that technical standards of staff should be raised through thorough training.

Signs of a change in attitude

Regulatory system

JOHN MOORE

THE reinsurance community has traditionally enjoyed extensive regulatory freedom around the world. Regulators have accepted that in order for the insurance community to function effectively it needs access to the world's reinsurance markets, without bureaucratic delays.

But there are signs that this relaxed attitude is changing. In Britain, the Department of Trade and Industry has been concerned about the underlying security of the reinsurance industry. It has also been concerned about the abuses which have arisen in the London market.

In the U.S. several task forces of the National Association of Insurance Commissioners are looking at better ways to monitor the industry and of introducing greater disclosures of transactions.

In effect the aim of the Trade Department in the UK has been stirred into action by the frequent warnings made by the leaders of the reinsurance industry about the potential dangers in the reinsurance market.

But the international nature of the reinsurance market has made it difficult to supervise business at the national level.

The Trade Department now requires more details about the complex reinsurance programmes adopted by the reinsurance companies themselves. But in London there still exists much scope for the unauthorised reinsurance specialist to operate.

Contact offices flourish in the fringe market around Lloyd's. These offices, equipped with little more than a telex machine and a representative, are designed to provide a flow of business to companies based overseas which do not wish to go to the trouble of gaining Department of Trade and Industry approval.

Although strictly not allowed to accept business, the contact offices nonetheless generate a sizeable amount of business for their companie, as well as create a considerable degree of disruption as they cannot be supervised.

In the U.S., the Securities and Exchange Commission now requies information on loss reserves and on unusual reinsurance contracts. The New York Insurance Department recently developed new restrictions on loss portfolio transfers in an effort to prevent abuses.

Within the industry there is some concern that the regulators may be over-reacting to the problems. Mr George Nimmo of the Reinsurance Association of America told the British Reinsurance Offices Association at a seminar earlier this year that last year there were 17 life insurers and 15 property and casualty companies which became insolvent in the U.S. "Some have projected that as many as 35 property and casualty companies will go under this year," he said.

Mr Nimmo argued that the situation places a great deal of pressure on the state insurance departments which are funded by a small portion of the total premium taxes.

The departments "are for the most part, severely understaffed and under budgeted. Because of their limitations many jurisdictions are seeking ways of easily measuring and monitoring the financial impact of reinsurance transactions on the balance sheets of insurers."

What is needed, he said, "is enforcement of the requirement that the annual statement be properly completed."

New disclosure practice introduced

Accounting methods

PETER ANDERSON

LLOYD'S SYNDICATES have reported for the first time under new accounting regulations and it is appropriate to examine the new disclosure method in the context of reinsurance accounting disclosure generally.

The mandatory reports now required by Lloyd's from managing agents and underwriters implement previous best practice at both Lloyd's and in the company market; these two new reports provide a wealth of text on market conditions, and on balance are superior to those provided in the company market.

Disclosure of underwriting data at Lloyd's is now on a standard basis for all syndicates and although the presentation is not required on a form/line/column basis familiar to other regulatory authorities, it is specific: in some respects superior to UK insurance company reporting requirements and in some respects weaker.

The three year Lloyd's accounting method differs from three year company market accounting in two principal areas: IBNR's (incurred but not reported) and calendar year data.

Whereas the company market will publish one set of accounts aggregating all historic revenue and expenditure and provide for all IBNR's to the date of the accounts, Lloyd's syndicate presentation separates revenue and expenditure into underwriting years (normally one closed and two open at each calendar year-end) and does not generally provide for IBNR's in respect of new business written in the two open years of account.

This form of presentation results in claims settlement ratios being on a paid and outstanding basis, only for the *underwriting year* "closed" in the accounting year (ie 1982 year closed December 1984) and claims settlement ratios for the two open years being on a paid/notified basis only.

Because of the separation of data on an underwriting year basis, trends in actual written or expensed data require independent disaggregation of the published data (which is presented on a cumulative basis for each of the latest three underwriting years) and then aggregation into a calendar year format for the calculation of trends and ratios.

Portfolio transfers in respect of both unearned premiums and outstanding losses are exceptionally well documented in the annual *Department of* Trade returns of UK authorised companies but non-existent in the accounts published by *Lloyd's syndicates*.

Analysis of risk categories within each class of business is a requirement of company reports but in Lloyd's syndicate reporting there is no mandatory format for disclosure of such important information.

Investment income returns of the Lloyd's market is a difficult area for external analysts. Although investment income ratios derived from UK company accounts are often misleading, because the investment income shown in the underwriting and/or profit and loss accounts is likely to be a contrived net figure after transfers through disclosed or inner reserves, investment income ratios for companies can be calculated against asset values.

Investment income disclosed in the accounts of Lloyd's syndicates is generally regarded as being an accurate reflection of both investment income received and realised/unrealised appreciation. Unfortunately, however, the presentation of such syndicate data on a *cumultaive basis across three* underwriting accounts and the lack of any identifiable asset base for each underwriting year means that calculation of investment returns can only be measured on a calendar year basis and this requires disaggregation of three years' *cumulative revenue accounts* and then identification of *calendar year revenue in order* to relate to balance sheet assets.

Expense ratios of syndicates for each underwriting year can be easily ascertained by reference to premiums of the underwriting year, but calendar year ratios require further analysis to convert the data to a calendar basis.

The "bottom line" profit of Lloyd's syndicates and appropriation of that profit causes confusion not only in its identification but also in comparison with the results of corporate reinsurers. The expense ratios of UK corporate reinsurers can be distorted by the arbitary allocation of expense to either or both the underwriting account and the profit and loss account; in the case of Lloyd's syndicates, expenses of operation consist of convential expense items plus three items termed "personal expenses" of the syndicate members. These are; Subscriptions and other charges made by Lloyd's; agency fees payable to the *agent for management of* syndicate affairs; and a profit commission payable to the agent based on profits earned by the syndicate after all expenses.

The Lloyd's global results disclose an aggregate market profit after all expenses but before profit commission. This market profit is likely to be of the order of £70m for the closed 1982 year.

In comparing syndicate results with those of the corporate market one must recognise the different functions of capital and reserves. Whereas capital and shareholder reserves in the company market are identifiable in the balance sheet, the "capital" of syndicates, being deposits or security pledged by the members, is off-balance sheet and does not generate investment income within the syndicate accounts. Further, syndicate surplus or reserves (other than claims reserves) are effectively *fully distributed each* year to syndicate members and losses are recovered each year from members. In the case of the corporate market, profits or surpluses are invariably retained within the business so enhancing security and generating investment income.

It can be seen therefore that the "profit" of the Lloyds market is not comparable with that of the corporate market, unless recognition is given to those three characteristics of Lloyds accounting not present in company accounts: the role of profit commission as a syndicate expense and as a potentially substantial bonus or reward to underwriting managers, the relative lack of any income-generating equity or accumulated reserves within syndicate accounts and the fact that the declared results of Lloyd's syndicates do not include the net surplus or deficit of the two open years.

Together with the recent Japan Airlines disaster and that of the Air India Boeing which went down in the Atlantic, the fire (right) on the British Airtours jet at Manchester Airport highlighted the risk element in insurance and reinsurance. The British Airtours Boeing 737 was engulfed by fire after an explosion as it taxied for take-off. The plane with 137 people on board was bound for the Greek holiday island of Corfu

Move to eliminate duplicated effort

Advances in technology

ALAN CANE

OVER the past few years, a single technological development — the emergence of the value added network — has made all the difference to the prospects for mechanisation in the insurance and reinsurance business.

Value added networks, or VANs, make possible fast and efficient computer-based communication between individuals or companies — in the case of *the insurance business, between* the broking community and its bureau and company markets.

Mr Andy Cappell, deputy chairman of Sedgwick Group Finance and Administration says: "Not long ago, it would have been difficult to find a low cost method of linking the brokers and the markets. Now we have an embarrassment of riches."

Among the companies queuing to provide a network for the London market are IBM, British Telecom, Geisco, ICL and Sperry.

When and if the London Market Network is successfully implemented, there seems no reason to doubt that the UK insurance and reinsurance communities will be as well provided for in technological terms as anywhere else in the world.

UK brokers have been well to the fore in administrative computing for some time. In 1981, however, the then Lloyd's chairman Mr Peter Green and senior insurance executives visited the U.S. They realised that North American companies were investing heavily in technology and that Lloyd's would have to follow suit if it was to retain its place as a low cost insurance market.

Mr William McKinnon, head of management services at Commercial Union, says: "Most insurance companies have cracked the automation of the administrative processes. Now we are looking for a system which will improve our competitiveness."

The aim is to build in a co-ordinated way a system which will dramatically improve communications between the parties in a transaction, while saving money by reducing unnecessary duplication of data entry.

The size of this problem is graphically illustrated by Mr Cappell's remarks to the Reinsurance Offices Association international seminar this year: "Many brokers produce slips and premium advice notes from their computer equipment."

"The information is thus electronically stored in the broker office. The paper slip and premium advice note go to the Lloyd's Policy Signing Office (LPSO) at Chatham, where the information is rekeyed and checked as part of the LPSO operation called Direct Data Entry."

"This information then feeds the Lloyd's Central Accounting System with details of the transactions being processed and finds it way back to brokers as daily signing lists and to underwriters on paper signing lists and on LPSO punched cards."

"In many of the broker offices, the lists are rekeyed. Similarly, the underwriters often keypunch information from the LPSO cards and lists on to their own computer system for accounting and statistics."

"In addition, a current trend is for box risk recording systems to appear on the floor of Lloyd's. Once again, the information about the risk is being rekeyed by each underwriter participating in a risk."

"The sheer scale of the duplication can be visualised if it is also realised that the same process goes on at the Institute of London Underwriters (ILU), at the Policy Signing and Accounting Centre (PSAC) and in the company market."

So it is perhaps not surprising that there has been no resistance to the idea of implementing a network which could help to reduce costs and eliminate all this duplicated effort.

The London Market Network is seen as an electronic postal system linking the brokers with the principal bureau and company markets for the cost — metaphorically, of course — of a first-class stamp. The VAN is an ideal vehicle for such a system. Basically, it is any service which can be offered on a telephone network over and above the simple connection of voice telephone calls.

A true VAN is represented by a service like electronic mail, where the message is stored and can be manipulated in various ways as it passes through the network.

But there is also a category of VANS described as network management which can involve simply protocol conversion where the electronic message enters or leaves the network. This second form of VAN is the kind favoured by Broker Network Feasibility Study, which reported in April this year. Proposals from a number of suppliers are now being considered.

Its conclusions include:

- The flow of information should be from brokers through the network to computers managed by the bureaux on behalf of their underwriting membership. Brokers and underwriters it argued, should not have direct access to each other's computers and databases.
- Information communicated in the network should be in a standard form.
- Participation should initially be voluntary.
- Implementation could start by mid-1986.
- Benefits in the short-term will accrue largely to underwriters.

Standards are likely to prove a difficult issue. The international banking message network SWIFT has been hugely successful in large part because of the rigorously defined formats for messages which leave no room for ambiguity.

But in the insurance business there has been little real progress in achieving market wide standardisation on any documentation. A technical co-ordination group under the chairmanship of Mr Cappell has been set up involving the brokers, PSAC, ILU and Lloyd's. This is the first time, says Mr Cappell, that these bodies have spoken to each other around a table.

"All this investment in technology is being made with no agreements having been reached on standards."

"This is perhaps the biggest challenge facing the overall objective and could well become the limiting factor in seeing the dream of a London Market Network becoming a reality."

Then there is the question of how to link the various parties to the network. A common system has been ruled out. Instead each community will have to make its own interfacing arrangements.

Some measure of the seriousness with which the insurance business is taking mechanisation is the commitment in terms of time and people. Within a few days the London Insurance Brokers Committee is expected to establish a full-time body to represent the brokers' interests. And at Lloyd's, Mr Peter Hermon is nearing the end of his first year as head of systems. A charismatic figure in the data processing industry, he made his name as an extremely tough head of systems at British Airways.

Like so many other cases of business computerisation—the development of automated tellers in the banking world, for example, a combination of useful technology available at the right price and sheer business need seems certain to force the establishment of a London Market Network.

Once it is established, it will be possible to link London automatically with similar systems overseas. Such developments will generate their own hazards —but without these advances London's position in world insurance markets will undoubtedly be at risk.

Squeezed in the middle

The broking community

CHARLES BATCHELOR

TAKEOVERS and mergers are continuing to change the face of the reinsurance and insurance broking industry. As the large groups get larger and the smaller brokers become more specialised, medium-sized companies are coming under increasing pressure.

Sedgwick Group, Britain's largest independent insurance broker, is currently integrating Fred S. James, the U.S. broker and number six in the world league, after agreeing a £533m takeover last April.

This deal reversed the trend of the past seven years which has been for U.S. brokers to buy British companies.

Alexander and Alexander of the U.S., the world's second largest broker, merged earlier this year with Reed Stenhouse of Canada in a $263m deal.

This enthusiasm for creating ever-larger broking combinations is not universally welcomed by close observers of the industry.

Mr Peter Virgin, insurance analyst with stockbrokers Simon and Coates, does not believe that size means the big brokers will do better than their smaller rivals. The industry has become more specialised over the past five years and brokers have done best in their own areas of strength, he said in a recent review.

Not all of the latest engagement announcements have resulted in marriage. Talks between C. E. Heath and Hogg Robinson, two leading UK companies, first revealed in April, broke down in May. This merger would have been the largest domestic realignment of UK insurance brokers since the late 1970s, when Sedgwick Forbes (now Sedgwick Group) joined up with Bland Payne.

The need to strengthen Sedgwick's worldwide reinsurance operations was an important consideration in the UK group's acquisition of Fred S. James, according to Mr Jim Payne, chairman of Sedgwick's reinsurance arm, E. W. Payne. Fred S. James owns John F. Sullivan, the second largest reinsurance broker in the U.S. (after Guy Carpenter, part of Marsh McLennan).

In reinsurance, as in insurance, Sedgwick faced the prospect of being excluded from the all-important U.S. market, which creates half the world's insurance premium volume, by the transatlantic liaisons formed by other broking groups.

While they have had to take into account the wishes of their insurance company clients the merged groups have understandably reordered their reinsurance business to keep it as far as possible in-house.

"It has been our strategy for some years now to create a worldwide reinsurance group," said Mr Payne. "This will allow us to ship exposure from one part of the world to another. We have a very developed international reinsurance business. We had to match that in the U.S."

Sedgwick had been attempting to forge closer links with the U.S. insurance market for a number of years. In 1978 it tried to link with Alexander & Alexander but merger talks collapsed. They later resumed but failed again.

Sedgwick decided, about four years ago, to establish its own reinsurance company in the U.S. and set up E. W. Payne in New York and Des Moines, Iowa.

"You could say we went into E. W. Payne Inc. in desperation," said Mr Payne. "Since no-one was going to do it for us we set up our own company. It has taught us a great deal but it is still only embryonic. By merging with James and Sullivan we can save five to six years"

The combination of Payne's London operation employing about 1,000 people, Payne in the U.S. with its 50-60 strong staff and Sullivan's 300 employees at its Seattle headquarters and elsewhere in the U.S. will give Sedgwick a world reinsurance business employing nearly 1,400 people.

The merger also brings back into ultimate British ownership Wigham Poland, the UK broker in which Fred S. James bought control in 1980.

Sedgwick intends to integrate fully the Sullivan and Payne businesses to create a single identity worldwide for its reinsurance activities behind the E. W. Payne nameplate. Ultimately the Sullivan name will be phased out.

This is in contrast to some of Sedgwick's competitors which have allowed the newly-acquired parts of their business to retain their identity.

Willis Faber, another leading UK reinsurance broker, has established links with the U.S. market in an entirely different manner.

Willis had links going back to the beginning of the century with Johnson & Higgins, the large, privately-owned U.S. broker. Three years ago the UK company decided that the spate of transatlantic mergers was threatening to deprive it of a flow of U.S. business.

"We did business with a wide range of U.S. reinsurance intermediaries," explained Mr Murrough Turvill, managing director of Willis' reinsurance division.

"Then most of them became associated with London companies. So it became necessary that we tied up with Johnson & Higgins."

Willis and Johnson decided to work through jointly-owned reinsurance companies on both sides of the Atlantic. Willis took a 49 per cent stake in Willcox Reinsurance Intermediaries, Johnson's New York-based reinsurance company. Willis set up Willis Faber & Willcox in London with Johnson as joint partner.

Willis does not make the clear distinction between direct insurance business and reinsurance which Sedgwick aims to achieve. Apart from two divisions handling North American and non-American reinsurance Willis's aviation division handles all aviation reinsurance, while the direct marine division also handles reinsurance.

British brokers with strong U.S. links should be well placed now to benefit from the recently improved conditions in the U.S. insurance market.

Prospects are also improving for the London market, which is currently suffering from a shortage of insurance capacity. This shortage resulted from losses experienced by a number of insurers which have since withdrawn from the market or reduced their exposure.

While this has meant brokers have experienced difficulty in placing business the shortages have pushed up premiums. Much of the capacity which has withdrawn was not particularly attractive to the brokers.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday September 9 1985

S. Africa's de Kock finds few friends

THE 10-DAY tour of financial capitals by Dr Gerhard de Kock, Governor of South Africa's Reserve Bank, has revealed to a previously unsuspecting world just how few friends his country has left in the international financial community, writes **Peter Montagnon in London.**

The circumstances behind that tour show how remorseless and brutal the effect of financial sanctions can be, once the market itself decides to apply them.

There may be two general lessons to be learned from the developments last week after South Africa imposed a four-month freeze on foreign loan repayments. Now another, more practical lesson is coming. That is that it may prove extremely difficult for South Africa to push through the next stage of its debt-recovery programme: a medium-term rescheduling of debt now caught up in the freeze and probably that falling due in 1986 as well.

Already in Johannesburg on Friday Dr Christian Stals, director general of finance, warned that the payments standstill might have to be extended into 1986. Practical problems for South Africa in negotiating a rescheduling are now looming large. Not least of these is the question of how to organise such an operation when banks are reluctant to sit on any negotiating committee the purpose of which is debt relief.

One way round that obstacle – the appointment of an individual banker to act as a mediator between South Africa and its creditors – now seems to be fading. It is proving harder than expected to find someone acceptable to all concerned who is both independent and yet has adequate administrative back-up. Dr de Kock said on Friday he was still exploring the possibilities but he also revived the idea of a traditional committee.

Even when, and if, such a committee is finally formed, some tough talking remains to be done. Banks will want an immediate downpayment of principal for rescheduling South Africa's debt, followed by a phased but fairly prompt repayment schedule. Dr de Kock said on Friday he hoped the rescheduling might have a maturity of less than five years, so that the country could return to normal financing as soon as possible.

Yet the amount likely to be covered by the rescheduling is growing. Estimates in Johannesburg now put the total due in a year or less at $14bn instead of the $12bn previously assumed. The higher the figure, the more time South Africa will need to repay.

Here, creditors have a delicate task. They must seek a maturity that is realistic in terms of South Africa's potential to generate foreign exchange, *although many are deeply worried by the country's political future* and will want to pull out as quickly as possible. One thing does appear certain – creditors are unlikely to agree to a 15-year rescheduling in the Latin American style.

Most difficult of all, however, might prove to be the guarantees that banks will require from South Africa for rescheduling private-sector debt. Like Chile, South Africa, with debts of $22bn, is a medium-sized debtor. But there are also similarities in that much of that debt is owed by the private sector. Persuading Chile to guarantee the debt was one of the biggest stumblingblocks to the country's latest rescheduling.

However, banks have a long tradition of demanding such guarantees, and South Africa is unlikely to prove an exception, especially given the large $6.5bn dollop of sensitive interbank money caught up in the freeze.

Elsewhere, the Euronote market is awash with rumours that British Petroleum plans to launch a $750m borrowing some time towards the *end of next month.* BP itself will not comment on the rumours but bankers now widely expect it to launch a deal arranged by itself.

Such go-it-alone deals are tempting to corporate borrowers because they can save on fees, but it takes expertise to push them through. BP can muster this sort of skill through British Petroleum Finance International, its in-house financing arm. If that does not make it a special case, how about the fact that it is 32 per cent owned by the rarest of borrowers, the British Government?

INTERNATIONAL BONDS

Market newcomers take time to catch on

BY MAGGIE URRY IN LONDON

A NEW type of borrower appeared in the Eurobond market last week: British building societies. The Halifax and the Nationwide raised £350m in two floating-rate-note deals – and that might just be the start, with Abbey National rumoured to be next on the list.

But the new idea is taking slightly longer to catch on with investors, and by Friday evening both deals were quoted around their 40 basis point fees. Another big issue might go down like a bucket of cold water.

Quality

There is no doubting, either, the excellent quality of the credits or that the terms were right. However, it takes a while for investors unfamiliar with building societies to assess the risk – Japanese banks may not know, for example, that in the year to January 1985 Halifax lost only £12 per £1m of mortgage loans. Equally, investors such as UK corporate treasurers, used to buying building-society certificates of deposit, are not necessarily in touch with the Eurobond market.

There was also some confusion about the tax position. Building societies have not issued Eurobonds before because they are not allowed to pay interest on them gross, and Eurobond investors will not accept net payments. The Inland Revenue has told the Building Societies Association that regulations will be made giving them the go-ahead to pay interest gross after April 6 1986, but until parliament reassembles in the autumn and the statutory instruments are laid before the legislators, there is always the faint chance that something might go wrong – meaning the issues would have to be redeemed or interest grossed up.

The tax position also means that the first coupons on the issues will be set at a ⅛ per cent margin over six-month rather than three-month London interbank offered rate (Libor). With the sterling yield curve sloping downwards, that is not quite so attractive.

At present, the leading building societies only find about 5 per cent of their funds in the wholesale market, with the rest coming from more expensive retail deposits. That percentage might move up to 20 per cent in the next few years – meaning many more Eurobond issues.

The only thing that could be said for the fixed-rate Eurodollar bond market last week was that at least investors were given plenty of choice. A variety of borrowers and structures were available. But, by the weekend, following the U.S. economic statistics, which suggested that many unemployed people had found jobs selling cars, and the fall in the New York market, even well-priced deals, such as Crédit Agricole's, were trading outside their fees.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	1,228.3	158.7	68.0	85.5
Prev	3,286.6	26.9	485.8	203.0
Other	1,526.9	0.1	20.1	48.1
Prev	1,520.7	0.4	554.0	1.9
Secondary Market				
U.S.$	12,458.2	724.6	11,309.5	2,015.2
Prev	15,886.8	783.4	11,280.3	1,982.2
Other	3,656.9	64.2	831.9	1,395.6
Prev	3,938.1	48.9	895.1	1,541.6

	Cedel	Euroclear	Total
U.S.$	8,725.2	19,350.7	28,075.9
Prev	9,766.8	23,878.4	33,645.2
Other	3,861.0	3,681.7	7,542.7
Prev	4,592.1	3,908.6	8,500.7

Week to September 5 1985 Source: AIBD

BHF Bank bond average

Sept 6 105.312		Previous 105.375
High 105.417	1985	Low 99.840

Investors could pick among AAA to BBB credits of different nationalities. They could buy a partly paid deal from Gaz de France, although as those are thought to be more attractive when the dollar is going down rather than up it seemed curious timing. Or they could buy a Federal National Mortgage Association issue, which converts into an existing domestic deal but came on a lower yield. They could even buy many of the bonds issued the previous week and which are still on syndicate managers' books.

In the event, they did not buy anything, and dealers cannot see why they should when so much uncertainty surrounds the U.S. economy and the exchange rate.

The Fannie Mae issue was particularly unfortunate, since it, more than other Eurobond issues, is likely to track the U.S. Treasury market closely. On Friday it did – down. A group of 12 banks, including nine co-managers, was assembled. But, significantly, no Swiss bank was involved. The bonds are in the special registered form pioneered by the U.S. Treasury, which Swiss bankers say is hard to sell in Switzerland.

The only choice Eurodollar investors were not offered was floating-rate paper – and that is what they would really like. The sector is crying out for deals, preferably from good names, of course.

The misery in the Eurodollar sector spread through to the other currencies as well, with the Australian, New Zealand and Canadian dollars and European currency unit Eurobond markets all looking miserable.

Cachet

Even the D-Mark sector was not immune from the falling New York bond market and rising dollar. Prices fell by around a point during the week, with traders noting some selling pressure on Friday. New issues for Eurofima and Portugal were well received, though, the latter being increased.

The Swiss foreign bond market is flooded with Japanese borrowers, so non-Japanese issuers command a certain cachet. Friday saw the launch of the largest public issue for a corporate borrower yet, the SwFr 235m deal for R. J. Reynolds, a keen borrower since its acquisition of Nabisco.

The secondary market has maintained its poise with prices slightly firmer during the week, although volume remains low.

Paris ready to develop commercial paper market

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government has taken fresh steps to develop the country's financial markets with the decision to establish a new market in commercial paper.

The *move is intended to widen* the range of short-term money market instruments available to large companies. Last year the Government *allowed the banks to issue* negotiable certificates of deposit (CDs) for the first time.

In line with the same goals of enlarging the money market and giving companies greater facilities for managing their cash the Government is also to allow companies to buy short-term Treasury bills. Until now, these have been reserved for banks, insurance companies and mutual funds.

Details of the proposed new measures have been submitted to banks and financial institutions for their comments in an effort to avoid the disruption that accompanied the introduction of CDs last year. The banks have been asked to deliver their comments by the beginning of October with a view to the new measures coming into force several weeks later.

Under the Government's proposals, companies will be able to issue commercial paper of up to six months and for amounts of about FFr 10m ($1.15m) – the size has still to be decided. Contrary to U.S. practice, banks will not be allowed to issue commercial paper themselves.

Companies issuing commercial paper will need a bank guarantee, however, through a line of credit – thus providing banks with commissions that, to some extent, will offset their loss of lending business. Banks will also get brokers' fees from trading in commercial paper.

The Government believes the moves could lower the cost of credit to companies by giving them access to short-term funds at close to money-market rates.

Because of the lack of a commercial paper market in France, some companies have been financing their short-term borrowings abroad. Electricité de France is said to be the largest non-American supplier of commercial paper in the U.S. market with about $2bn outstanding.

Ottawa criticised over bank crisis

THE CANADIAN Government faces growing criticism over its handling of two Alberta banks which collapsed last week, **writes Bernard Simon in Toronto.**

The failures have also raised questions about the role of external auditors in alerting the authorities to the adequacy of banks' loan-loss provisions, asset write-downs and other potential trouble-spots.

When parliament reconvenes in Ottawa today after the summer break, opposition MPs are expected to call, at least, for the resignation of the inspector general of banks, Mr William Kennett.

The failure of Canadian Commercial Bank (CCB) at Edmonton and Calgary-based Northland Bank has also embarrassed the Finance Ministry and the Bank of Canada, which helped organise an unsuccessful C$255m (U.S.$186m) rescue package for CCB last March.

The failure of the two banks appears to have had no impact at this stage on the overall stability or reputation of the Canadian financial system. There is concern, however, that the *failure has* exposed political misjudgment and weaknesses in the regulatory framework. Canada's last bank failure occured in *1923.*

Despite numerous expressions of confidence since last March's bail-out, the Bank of Canada pulled the *plug on September 1 by refusing to* provide further liquidity in the form of short-term loans advanced to cover withdrawals by nervous depositors. *Loans to CCB rose from* nil to C$1.3bn at the end of August, while Northland received assistance of C$510m. Officials disclosed *last week that about one third of* CCB's loans were found to be non-performing.

The bail-out and subsequent collapse are expected to involve substantial costs to Canadian taxpayers. Because of official assurances about CCB's wellbeing, the Government has agreed to pay out all depositors in the two banks,

INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Bond market bulls in backwards stampede

ON THE FACE of it, at least, the latest U.S. economic statistics to emerge last week resolved an argument—though certainly not the debate. U.S. bond prices went into full retreat during the latter part of a holiday-shortened trading week as evidence mounted of an economic rebound. The data helped boost the dollar and sent the remaining bond market bulls into a backwards stampede as lingering hopes of a further Fed easing evaporated—temporarily at least.

The immediate cause of the sharp change in market sentiment was the surprising 0.3 per cent drop in August civilian unemployment to 7 per cent—the lowest jobless level in more than five years. The decline follows six stagnant months and was underlined by the first increase in manufacturing employment this year.

The advance, coming on top of healthy department store retail sales and strong car sales—albeit boosted by cheap financing incentives—were enough to knock the U.S. credit markets for six. Earlier in the week, bond prices had been lifted by a pessimistic report from the nation's purchasing managers (confusingly) indicating a continuing soft economy and by further evidence of financial institutions' problems, most notably the mounting concern about the problems of the Federal Farm Credit system which sent yield spreads between Farm Credit bonds and Treasuries *soaring by 30 basis points.*

A $2.4bn decline in M1, the basic U.S. money supply measure, however, had little impact on Wall Street where the current fashionable view is that M1 growth, while irksome, is of considerably less importance to the Fed's thinking than economic numbers.

The market reversal came on Thursday, in response to the news that car sales in the last 10 days of August soared to an annual rate of 13m vehicles. But the big sell-off came on Friday in response to the unemployment statistic.

By Friday's close government bond prices were lower by between ¾ and 2¼ points. The Treasury long bond dropped 2¼ points, sending the yield on 30-year government paper back up through the 10.70 per cent level.

In the money markets, most short-term U.S. interest rates were five to 10 basis points higher at the weekend.

The economic numbers, and the credit market setback, were enough to persuade Dr Henry Kaufman, Salomon Brother's chief economist, that the good times for the U.S. credit markets are finally over.

In his latest "Comments on Credit," entitled "And end to interest rate decline," Dr Kaufman declares that the employment figures "dashed any lingering hopes for an easier monetary policy in the near term."

Indeed he suggested that the Fed will hold steady until "the newfound strength in the economy" is confirmed, and even then notes that a strong economy alone would not be sufficient to provoke a tightening." Accordingly Dr Kaufman predicts a steady Fed funds rate, but concludes "The evaporation of hopes for further ease and speculation that the Fed's next move will be to tighten will end the decline in intermediate and long-term interest rates."

But not everyone agrees. Once again Wall Street's senior economists are still deeply split. While almost all concede there is evidence of some economic rebound, many cast doubts on the true meaning of the recent numbers and argue that they—and probably those immediately ahead — overstate the strength of the bounce-back. At the same time they suggest there are a wide number of other factors to be thrown into the interest rate melting pot.

Among them Philip Braverman of Briggs Schaedle argues that, after a possible further market setback, "renewed market recognition of economic and financial problems makes renewed declines in interest rates inevitable."

If there is a consensus view view on Wall Street today it is probably that, while the Fed is unlikely to ease anytime soon, it is not about to firm either.

But for the meantime the markets are likely to focus on the economic numbers, including August retail sales figures and producer price index numbers both due out on Friday.

For corporate treasurers this could all spell choppy seas ahead. Last week corporate bond prices fell by between 2 and 2½ points while new issue yields soared by between 25 and 38 basis points.

Paul Taylor

U.S. MONEY MARKET RATES (%)

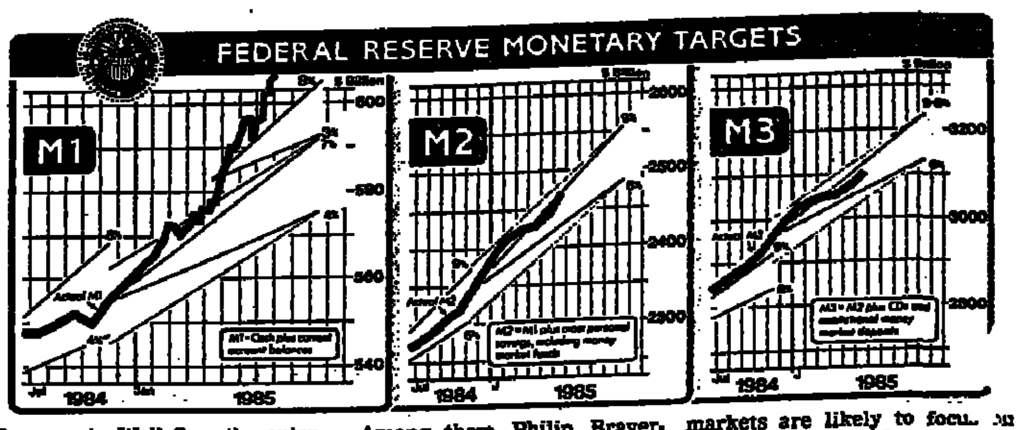
	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.89	7.84	7.73	11.44	7.10
Three-month Treasury bills	7.25	7.15	7.16	10.60	6.67
Six-month Treasury bills	7.43	7.32	7.38	10.70	7.81
Three-month prime CDs	8.00	7.84	7.75	10.68	7.33
30-day Commercial Paper	7.70	7.85	7.70	11.38	6.95
90-day Commercial Paper	7.75	7.80	7.70	11.25	7.00

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	100⅛	−1	10.35	10.15	10.23
20-year Treasury	98⅝	−1⅞	10.90	10.67	10.76
30-year Treasury	99⅛	−2⅛	10.71	10.48	10.61
New 10-year "A" Financial	N/A	−2¼	11.25	10.88	11.13
New "AA" Long utility	N/A	−2⅞	11.88	11.63	11.63
New "AA" Long Industrial	N/A	−2⅞	11.65	11.38	11.50

Source: Salomon Bros (estimates).

Money Supply: In the week ended August 6 M1 rose by $2.4bn to $608.4bn.



UK GILTS

Issues to be resolved before the 'big bang'

IF NOTHING else, the summer lull in the gilt-edged market, broken only briefly by Friday's flurry on the foreign exchanges, has given time for reflection on more hectic times ahead.

"Big bang" is still a year off, but there is a growing awareness among the 29 prospective primary dealers in the new market of the raft of issues to be resolved over coming months.

So far, much of the preparation for the switch to dual capacity has been concentrated within the companies themselves: they have been poaching staff, arranging new offices and ordering communications systems.

The steering groups in individual firms have been focusing on the niches they might carve out after October 1986.

The big U.S. players, lacking distribution networks, are widely expected to take advantage of their trading and market-making skills to win custom by offering finer spreads and innovative new instruments.

In the initial stages at least, they might expect the bulk of their income to come from position-taking or arbitrage between the cash and futures markets.

Many of the established brokers in the existing market are thinking in less aggressive terms: position-taking will be largely aimed at serving their distribution networks.

But there are wider issues left unresolved by the Bank of England's Blue Paper on the shape of the new market which will have to be settled by negotiations between the market-makers as a whole and the authorities.

The association set up for that purpose has been concentrating on the technical side. Sub-committees have been established to provide a framework for the relationship between the primary dealers and the designated inter-dealer brokers (IDBs) and money brokers.

Mr George Nissan of Pember and Boyle, the chairman of the association's steering group, says that the Stock Exchange shares the Bank's view that "it can only manage one miracle at a time."

There is general confidence that an assured payments system can be in place by next October, eliminating settlement risk in deals between market-makers.

That, along with expected legislation to clarify the position of building societies and pension funds, should boost the amount of stock available for borrowing.

The informal contacts between Bank and market-makers, however, have so far skirted what is generally regarded as the central issue to be resolved: how the authorities plan to sell gilt-edged stock.

The Bank has been vague on the issue but has betrayed its preference for some form of the present tender and tap stock system.

The case is fairly easily put. The present arrangements are more flexible than the auction system operated in the U.S. and elsewhere. The authorities can limit the impact of external events on the market by managing the supply of stock.

Auctions, the argument goes, would increase the short-term volatility of the market. At the same time it would be difficult to auction specialist stocks such as low-coupon conventionals or index-linked.

But while a tap system might make life easier for the Bank and smooth the impact of, say, announcements on oil prices, there is considerable doubt among prospective primary dealers that it can work.

The question being asked is how the Bank will cope when a news item triggers 29 simultaneous telephone calls to its dealing room with offers for stock. Will it have 29 lines and 29 dealers, or could a market-maker miss out by being three seconds late?

The Bank would probably answer that those occasions are likely to be rare—at present a sudden rush for stock most frequently comes before the market opens in response to some overnight news. And techniques could be worked out to ensure equitable treatment.

There are, however, more fundamental objections to the tap system. A market with 29 players needs the assurance of regular supplies of stock—and an equal chance to bid.

The Bank's view, this argument goes, smacks to much of its "nod-and-wink" approach to market management; appropriate a few years ago but not in an international and fiercely competitive market.

The answer may be some form of flexible auction system—though less strictly timetabled than in the U.S.—combined with a modest continuing presence for the Bank in the secondary market.

What does seem clear is that the authorities are going to find it difficult to argue that everything in the market should change except their own operations.

Philip Stephens

FT/AIBD INTERNATIONAL BOND SERVICE

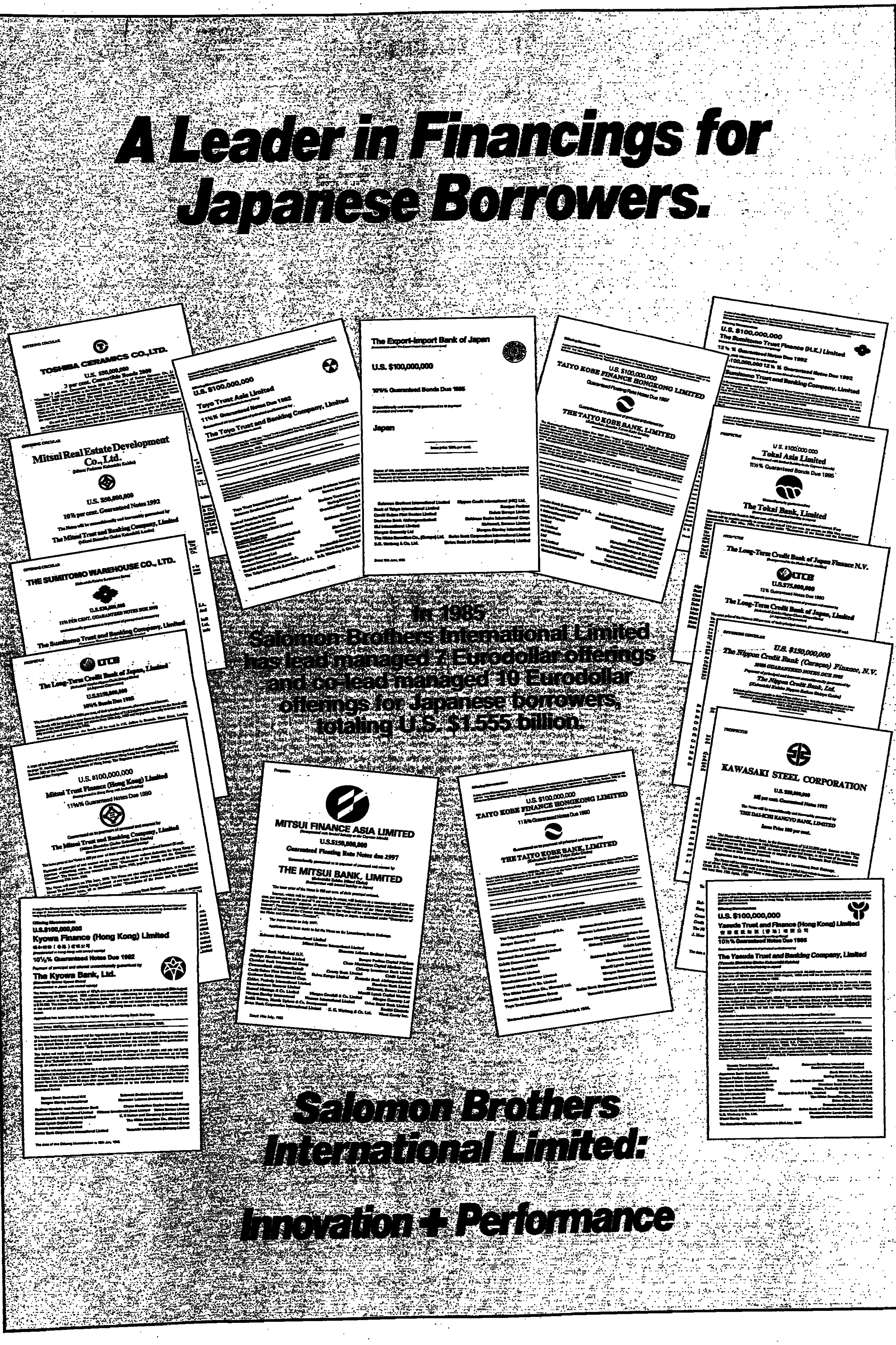
U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	105⅞	−0⅛	10.76
AIDC 11 88	75	103⅞	0	9.83
AIDC 11⅞ 90	100	101⅞	−0⅛	11.38
Amer Savings 12 89	125	102⅞	−0⅛	11.02
Amer Savings 12⅞ 89	100	101¾	−2⅞	11.76
Asian Dev Bk 11¾ 93	100	106	+0⅛	10.60
Australia 11¼ 90	100	105⅞	−0⅛	9.85
[illegible]				

	Issued	Price	Chg. on week	Yield
RBC 12¾ 90	100	102	0	12.08
Rural Bk Aust 12 91	50	103	−0⅛	11.19
Sanwa Bk 11⅞ 92	150	104⅞	−0⅛	10.60
Saskatchewan 10¼ 92	100	101⅞	−0⅛	10.36
Saskatchewan 10⅛ 90	125	102⅞	−0⅛	10.00
Saskatchewan 11⅞ 89	100	105¾	−0⅛	10.13
Saskatchewan 15 92	150	119¾	−0⅛	10.80
Saskatchewan 16 89	125	115⅞	+0⅛	10.37
Scot Int Fin 14⅞ 96	50	111	−0⅛	12.33
[illegible]				

	Issued	Price	Chg. on week	Yield
Kamagi Gumi 3⅞ 00	80	148⅞	−4⅞	1.07
LASMO 9¾ 99	45	96⅞	−0⅛	17.76
Moet-Hennessy 7 99	50	108¾	−0⅞	−0.58
Murata Mfg 3⅞ 00	100	85⅞	+1⅛	13.78
Nippon Oil 3⅞ 89	50	98	−2⅞	31.09
Ono Pharm 3¾ 98	60	84	−5⅞	−5.72
Soc Gen Surv 4½ 94	51	117⅞	−5⅛	109.20
Sumitomo Corp 2⅞ 99	70	118	−5	1.27
Texaco Capital 11⅞ 94	1bn	104⅞	0	41.22
[illegible]				

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon. CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. † Perpetual.

Closing prices on September 6.


A Leader in Financings for Japanese Borrowers.
In 1985 Salomon Brothers International Limited has lead managed 7 Eurodollar offerings and co-lead managed 10 Eurodollar offerings for Japanese borrowers, totaling U.S. $1.555 billion.
TOSHIBA CERAMICS CO., LTD.
Mitsui Real Estate Development Co., Ltd.
THE SUMITOMO WAREHOUSE CO., LTD.
Toyo Trust Asia Limited
The Toyo Trust and Banking Company, Limited
The Export-Import Bank of Japan
U.S. $100,000,000
Japan
TAIYO KOBE FINANCE HONGKONG LIMITED
THE TAIYO KOBE BANK, LIMITED
Tokai Asia Limited
The Tokai Bank, Limited
The Long-Term Credit Bank of Japan Finance N.V.
The Long-Term Credit Bank of Japan, Limited
The Nippon Credit Bank (Curaçao) Finance, N.V.
The Nippon Credit Bank, Ltd.
KAWASAKI STEEL CORPORATION
Mitsui Trust Finance (Hong Kong) Limited
The Mitsui Trust and Banking Company, Limited
MITSUI FINANCE ASIA LIMITED
THE MITSUI BANK, LIMITED
Kyowa Finance (Hong Kong) Limited
The Kyowa Bank, Ltd.
Yasuda Trust and Finance (Hong Kong) Limited
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Salomon Brothers International Limited:
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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Michelin returns to the equity market

FRANCE'S MAJOR private companies have used the long summer months to stage their return to the equity market. Peugeot, the private car group, took the lead in July by raising FFr 925m ($104m) in fresh capital with its first new share issue in more than 20 years. This week it was the turn of Michelin to return to the equity market with its first rights issue in 15 years which will raise about FFr 1bn in fresh funds for the leading French tyre group.

It is no coincidence that these two French companies should be returning to the bourse. After several years of heavy losses and major restructuring and investment programmes, both Peugeot and Michelin have shown signs of financial recovery in recent months. Peugeot is expected to break even or return a small profit this year, while Michelin last month reported a profit of FFr 400m for the first half of this year and is expected to report profits of between FFr 800m and FFr 1bn for the full year.

Feeling that the worst was over and that they were beginning to reap the fruits of their restructuring programmes, both Peugeot and Michelin decided to take advantage of the bull market condition on the Paris bourse to raise fresh equity to help strengthen their balance sheets.

"Our faster than expected financial recovery this year prompted us to accelerate our plans to return to the equity market," explained M Behrouz Chahid-Nourai, Michelin's financial director. Michelin had been planning to return to the market next year, but by last February it realised that its recovery was gaining momentum.

One of the big problems for Michelin was that it had to rely in the early 1980s on short-term floating-rate borrowing to finance its investments. At the time, the French company was completing a major $1bn investment programme in North America. It was hit by the oil crisis and the slump in the tyre market. It thus had to turn even more heavily to floating-rate lending to complete its American investments and finance its operations because it did not want at the time to get locked into high long-term rates.

Subsequent losses, the financial costs of covering job cuts in France, new legislation introduced by the socialist government to cut the working week and extend paid holidays, higher social charges and foreign exchange controls all added to the burden on the company's balance sheet. All in all, net debt has risen to FFr 30bn backed by shareholders' funds of only FFr 10bn.

Under the circumstances, one of the company's priorities was to reduce annual interest charges, which had grown to 9.10 per cent of sales in 1982 when the group lost a whopping FFr 4.17bn.

Michelin and its finance director have thus been working to bring down these charges by reducing debt, converting short-term borrowings into less costly long and medium-term money and now turning to shareholders to strengthen the company's equity base. "But before we could turn to the equity market we wanted it to have tangible signs of our recovery," says M Chahid-Nourai.

The company's target is to bring interest charges down to a more reasonable level of about 4 per cent of sales. From 9.10 per cent they have now declined to 7.75 per cent following Michelin's agreement with its banks last year to convert FFr 4bn of short-term debt into the medium term.

As part of its financial strategy, Michelin has been raising Swiss franc and D-mark funds with lower longer-term rates, and in 1983 it made a FFr 800m convertible bond issue. With the group's recovery confirmed in the first half of this year, the company raised FFr 500m through a convertible Euro-French franc bond issue last June and is now going ahead with a one-for-four rights issue.

Michelin, which has not paid a dividend since 1982, is giving its shareholders a kicker in its capital increase by granting them a free warrant for every new share they subscribe to. The warrant will enable shareholders to subscribe to additional shares between next year and the end of 1989. The rights issue will raise FFr 1bn in fresh cash for Michelin and eventually a further FFr 1.4bn if all the warrants are exercised.

But while these operations are designed to strengthen the company's overall financial position, M Chahid-Nourai suggests that the key to recovery will essentially come from the group's cash flow. This has already increased to FFr 2bn in the first half of this year from FFr 600m in the same period last year. With cash flow likely to return to an annual level of around FFr 4bn to FFr 5bn and annual investments flattening at around FFr 2bn, cash flow is expected to start making an *important contribution in helping* Michelin reduce and repay debt.

Paul Betts

First-half advance for Bekaert

BRUSSELS — Bekaert, the Belgian producer of steel wire, wire products and steel cord, has reported a 9.8 per cent increase in consolidated net income for the first half of 1986 as a result of continuing strong demand for the steel cord used in radial tyres and for other Bekaert products.

Consolidated net income for the six month amounted to BFr 1.63bn ($27.6m), compared to BFr 1.49bn in the corresponding period a year earlier.

Group revenue for the half year was not given, though parent company revenue amounted to BFr 15.6bn, compared with BFr 14.56bn in the first half of 1984. Parent company net income in the first half rose almost 22 per cent to BFr 792m from BFr 651m a year earlier on an increase in operating and financial results.

The company is forecasting that full-year consolidated net profit will be roughly unchanged from the BFr 2.87bn earned in 1984 because of an expected slowdown in growth in the second half. Last year, Bekaert's consolidated net earnings jumped 67 per cent from BFr 1.72bn the previous year.

AP-DJ

MAS to be partially privatised

BY OUR FINANCIAL STAFF

MALAYSIAN AIRLINE System (MAS), the government-owned flag carrier, is to be partially privatised later this year, the management confirmed over the weekend. The flotation of 30 per cent of the company will be the largest in Malaysia's history.

The airline is to increase its 70m ringgit (U.S.$28m) paid up capital in two stages to 200m ringgit. The first stage will consist of a one-for-one rights *issue to its present shareholders* —the Malaysian federal government with 90 per cent and the State governments of Sabah and Sarawak with 5 per cent apiece.

In the second stage of the capital increase, 60m shares of 1 ringgit will be offered at par to the public. Subscriptions will open next month and the shares have been approved for listing on the Kuala Lumpur Stock Exchange in December.

Subsequently, according to Mr Abdul Aziz Abdul Rahman, the managing director, private investors may be able to raise ther stake n MAS above the initial 30 per cent which will result from the first flotation.

Approval of MAS's plan has come despite the freeze on company flotations imposed by Mr Daim Zainuddin, the Finance Minister, as part of his efforts to strengthen the Malaysian stock market.

Taiwan bank takes over trust company

TAIPEI — The Government-owned United World Chinese Commercial Bank has assumed control of Overseas Trust Corporation, a privately-run company which ran into trouble following a financial scandal earlier this year.

Mr Chiang Hsi-Hsien, a United World Chinese Commercial Bank manager, was named president of Overseas Trust on Friday. He said he would try to tackle the problems of the financially troubled bank immediately.

United World Chinese Commercial Bank has invested 500m new Taiwan dollars in Overseas Trust, which is capitalised at $NT 650m.

Overseas Trust said its problems stemmed in part from poor profits in real estate investments and the stock market, but its biggest problem was a severe drop in deposits. Total deposits have fallen by $NT 2bn to $NT 9bn since February, when the Tenth Credit Co-operative, one of the largest savings and loan institutes in Taiwan, collapsed and was rescued by the Government. That collapse prompted a rush of fund transfers from small deposit-taking institutions.

Mr Tsai Chen-Chou, 39, former chairman of Tenth Credit, has been accused of channelling $NT 7.7bn in illegal loans from Tenth Credit to financially-troubled companies in the Cathay group, which is owned by members of his family.

Overseas Trust, which was set up in 1971, is 75 per cent-owned by Chinese in Hong Kong and the Philippines. It has debts totalling $NT 11bn, an amount roughly equal to its assets.

AP-DJ

Fluor just ahead in third quarter

By our Financial Staff

AN EXTRAORDINARY after-tax gain of $55.7m enabled Fluor, the troubled Californian-based construction and natural resources group, to turn in a small profit of $8.6m, or 11 cents a share, in the third quarter to July. However heavy losses in the proceeding two quarters left the company showing a loss of $63.4m, or 80 cents, for the nine months.

In the year-ago third quarter there was a profit of $1.92m, or three cents a share taking nine-month earnings to $22.9m.

Revenue for the latest quarter dipped to $996m, from $1.07bn, for a nine-month total of $3.08bn, compared with $3.37bn previously.

The extraordinary gain arose on the sale and leaseback of the company's Irvine California complex. The group said that with the sale and leaseback of real estate essentially complete it will step up its restructuring including the sale of assets which no longer fit long-term strategy.

During the nine months asset disposals realised $626m.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Rockefeller Center (c)(d)§	335	2000	15¼	8	100	Goldman Sachs	•
Rockefeller Center (d)§	730	2000	15¼	8	22.50	Goldman Sachs	•
Fuji Bank §‡	80	2000	15	2¾	100	Fuji Int. Fin	2.750
Fuji Bank §‡	20	2000	15	2¾	100	Fuji Int. Fin. (H.Kong)	2.750
Nippon Coinco §‡	28	1992	7	3¼	100	Nomura Int.	3.250
Sanwa Bank §	100	2000	15	(2¾)	100	Sanwa Int.	•
Credit Agricole ‡	125	1990	5	10	100½	Shearson Lehman Bros.	9.869
Sekisui Chemical ¶	30	1990	5	(6¾)	100	Yamaichi Int. (Eur)	•
Kokusai Kogyo ¶	30	1990	5	7	100	Nomura Int.	•
N. V. Amev ‡	100	1992	7	10⅜	99¾	Morgan Guaranty	10.427
Mitsubishi Estate ‡	50	1992	7	10¼	101¾	Morgan Guaranty	10.015
C. Itoh ‡	50	1990	5	10¼	101⅛	Man. Hanover	9.823
C'wealth Bk Australia ‡	100	1993	8	10	100	CSFB	10.000
Fannie Mae ‡	300	1992	7	10⅛	99¾	S. G. Warburg	10.177
Gaz de France ‡	100	1990	5	9⅞	101	Société Générale	9.614
Ricoh ¶	100	1990	5	(6¾)	100	Nomura Int.	•
Chesebrough-Ponds ‡	100	1991	6	10½	99⅝	Shearson Lehman Bros.	10.588
Mortgage Bk Denmark ‡	85	1990	5	10⅛	100¾	Citicorp	10.026
AUSTRALIAN DOLLARS							
Mgn. Guaranty Aus. ‡	60	1990	5	13½	100½	Morgan Guaranty	13.357
Swedish Export Credit ‡	40	1988	3	13	100¾	Bankers Trust Int.	12.684
Midland Int. Aus. ‡	60	1988	3	13½	100⅝	Samuel Montagu	13.340
Privatbanken ‡	45	1988	2	14	100¾	Morgan Stanley	13.679
D-MARKS							
Portugal ‡	250	1993	8	7	100¼	Commerzbank	6.958
Eurofima ‡	150	1997	12	6⅜	100	Deutsche Bank	6.375
Nat. Bank Hungary ‡	150	1993	8	7	100	Deutsche Bank	7.000
SWISS FRANCS							
Kobe Steel ¶	100	1990	–	3	100	Credit Suisse	3.000
Daido Oxygen**¶‡	40	1990	–	2⅞	100	Credit Suisse	2.875
Marudo Gaststätten ‡	10	1995	–	6⅜	100	Bqe. Gutzwiller, K.B.	6.375
Fuji Bank §‡	120	1993	–	1⅜	100	Credit Suisse	1.375
Honshu Paper Co. **¶	50	1990	–	(3⅛)	•	Credit Suisse	•
Tokyo Printing Ink **‡	28	1990	–	5⅝	100	Credit Suisse	5.625
FAI Fin. Services	200	1995	–	(6)	•	Soditic	•
Trizec Corp. ‡	100	1995	–	5⅝	100	Royal Bk of Canada	5.625
Sanwa Bank **§	100	1990	–	(1⅜)	•	UBS	•
Wasino Machine **§	60	1990	–	(1⅝)	•	UBS	•
Kayaba Industry **‡	50	1990	–	5½	99¾	Credit Suisse	5.559
Aoki Corp. **§	50	1990	–	(1⅝)	•	Swiss Volksbank	•
Aoki Corp. **¶	100	1990	–	(3⅛)	•	Swiss Volksbank	•
SNCB **‡	50	1992	–	5½	100	Chase Man. (Suisse)	5.500
Tokyo Car Corp. **‡	50	1990	–	5⅝	100	UBS	5.625
Toho Railway **§	50	1991	–	(1⅝)	100	SBC	•
THK Company **‡	50	1990	–	5⅝	100	UBS	5.625
Tokyo Tourist **§	25	1990	–	(1⅝)	100	Swiss Volksbank	•
Marumi Chino Corp. **‡	12	1990	–	5⅝	100	SBC	5.625
Lupina Co. **‡	10	1990	–	5⅝	100	Banca del Gottardo	5.625
R. J. Reynolds ‡	235	2000	–	5⅜	99½	Mgn. Guaranty (Switz)	5.425
Nippon Seisen Co. **‡	20	1990	–	5⅝	100	Ind. Bk of Japan (Switz)	5.625
Valmet Oy **‡	12	1990	–	5⅝	100	UBS	5.625
Valmet Oy **‡	12	1991	–	5⅝	99¾	UBS	5.676
Valmet Oy **	12	1992	–	5¾	100	UBS	5.750
ECUs							
EIB ‡	100	1995	10	8⅞	100½	Nikko Secs.	8.798
Italy (a)†‡	380	1992	7	1/16	100	Bankers Trust Int.	–
STERLING							
Halifax (b)†‡	150	1992	7	1/16	100	Morgan Grenfell	–
Bank of Greece ‡	75	2010	25	10¾	81.443	Morgan Grenfell	11.828
Nationwide (b)†‡	200	1995	10	1/16	100	CSFB	–
NORWEGIAN KRONE							
Den Norske Veritas ‡	200	1990	5	10	100½	Christiania Bank	9.869
LUXEMBOURG FRANCS							
GMAC Cont. **‡	150	1988	3	9	100½	BGL	8.803
GMAC Cont. **‡	150	1989	4	9	100¼	BGL	8.923
YEN							
World Bank** ‡	100bn	1995	10	6.4	99.85	Nomura Secs.	6.421

• Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ‖ Dual-currency. (a) 1/16 over 3m Libor. (b) 1/16 over 6m Libor (first coupon) payable April 1986, then 1/16 over 3 m Libor. (c) 8% first 8¼ yrs, then 13%. (d) At maturity investors can convert or buy a 7-year FRN at 100, immediately callable. Note: Yields are calculated on AIBD basis.

CONSTRUCTION CONTRACTS

£4m batch for Ernest Ireland

Contracts together worth nearly £4m have been won by **ERNEST IRELAND CONSTRUCTION** of Bath, part of the Mowlem Group. The largest, worth £1.8m, has been awarded by Tesco Stores and covers the fitting out of a 7,565 sq metres superstore at Eastville, Bristol. The company is already building the shell of the superstore under a separate £3 7m contract from the developers, Bristol Stadium. Ernest Ireland's new contract comprises the installation of mechanical and electrical services, a suspended ceiling, floor and walling finishes and the co-ordination of Tesco's direct subcontractors. Work is due to start in mid-October for completion in April next year. At Cribbs Causeway Complex, Bristol, Ernest Ireland Construction has received a £1.5m contract for two warehouse units being developed by J. T. Baylis and Co for B. and Q. Retail. The units will be of conventional warehouse construction, with dwarf brick walling 2.4 metres high, insulated metal sheet cladding and concrete floors. One unit will be 50,000 sq ft, the other 30,000 sq ft. In Yeovil, Somerset, a £430,000 contract has been awarded by Westland Helicopters for a major extension to its mechanical and structural testing facilities. At Swindon a £155,000 contract has been placed for the completion of an office block for Anchor Foods. Work comprises the installation of internal floors, walls, cladding and roofing onto a previously erected steel frame.

*

WIMPENNY, the Huddersfield-based construction group, has been awarded a £1m contract to undertake the preliminary works associated with Elida Gibbs new production unit at Coal Road, Seacroft, Leeds. When completed in 1987 the plant will house all manufacturing and product development activities for Elida Gibbs range of personal toiletries.

£8m projects for Wates

WATES SPECIAL WORKS has secured £8m contracts in both the public and private sectors: For the Royal Borough of Kensington and Chelsea, refurbishing 120 homes has commenced for completion within 21 months. The £2m scheme at Balfour of Burleigh Estate, Ladbroke Grove, W10, consists of inter-war low rise blocks, undertaken with tenants in occupation. Central and City Properties was awarded a £900,000 scheme for rebuilding and refurbishing offices at 112 Jermyn Street. Contract period is 10 months. At the City Village in Lovat Lane, Guardian Royal Exchange as placed an £800,000 contract for refurbishing offices. The project to complete within six months. Conversion of a 1930's built block of flats to form six flats, a maisonette together with a four-storey house and a porter's day lodge at 71 Portland Place, W1, has been awarded by Land Rail Properties. The project will cost about £800,000, with a nine-month contract period. For the Camberwell Health Authority, work has started on the refurbishing the pharmacy at King's College Hospital. The authority, through South East Thames Regional Health Authority, has placed a 10-month contract worth £240,000. In Leicester Square, WC2, Whitbread & Co has placed a contract for stripping out with structural alterations of 17-21 Leicester Square at £202,000.

Construction of two shop units at 172-174 Balham High Road is being undertaken for Ravenstone Securities at a cost of £332,000 under a five-month contract. Wates Special Works has secured work on some additional classrooms at Emmanuel School, Wandsworth, where the board of governors has placed a £160,000 contract starting in September and running for 18 weeks. Renovations of the "W" warehouse at Royal Victoria Docks are underway for the London Dockland Development Corporation. They will enable the building to be used for museum storage purposes. The £262,000 project is to be completed within four months. Restoration and refurbishment of shops and residential accommodation at Rupert Court within what is known as the Leicester Square triangle commences this month and the six-month contract for Electricity Supply Nominees will cost about £550,000.

Conversion of part of the Mullard Company industrial complex at Mitcham, Surrey, has been placed with Wates Special Works by Philips Electronic & Associated Industries. The £1.8m contract is on a "design build" basis and will take five months to complete.

Costain Group subsidiary, **JOHN SHELBOURNE & CO**, has been awarded a £1.3m contract by the London Docklands Development Corporation to carry out extensive renovations on a section of the Surrey Docks at Rotherhithe. Most of the civil engineering work associated with the project will be concentrated at the old Surrey Entrance lock between the old Surrey Basin and the River Thames. The basin will be retained to provide an enclosed lake that will become known as Surrey Water. The surrounding area of the old basin will be landscaped and street lighting installed top rovide an open air amenity for local residents. The riverward lock gates—which are to remain eventually in their closed position—are to be renovated, a task requiring restoration or replacement of existing steel and timber work. Before work can be carried out on the lock gates, a sheet piled cofferdam will be driven, forming an arc about the mouth of the lock on the river side. A mass concrete base will be laid behind the lock gates following excavations to the top of the old lock floor, an operation requiring partial placement by termie tube. Work is due to start in September and will have a duration of 45 weeks.

MANSELL has been awarded a £1.2m contract for structural alterations and fitting out to a building shell for a department store for Heal's and Sons, part of the Habitat Mothercare group, in Drummond Place, North End, Croydon. The store will have 31,000 sq ft of floor space on two floor levels. Work involves cutting holes in the ground floor and the installation of an escalator and a goods lift and the erection of shop fronts with marble clad columns. Work will start in October and is due for completion in February 1986.

HIGGS AND HILL BUILDING is the main contractor for "The Chilterns," a shopping and office development in the centre of High Wycombe, Bucks. The contract, which is valued at £4.75m, has been awarded by Greycoat Merevale and the Bredero Group. On a site that previously housed a cinema and public house, a covered shopping mall is to be built which will accommodate a 2,500 sq metre C & A store, as well as extensions to the existing Marks and Spencer, Burtons, John Collier and Freeman Hardy & Willis stores. Also included in the project are 22 other shop units which have already been let. Above the shopping mall will be two floors of offices along with car parking areas for the offices. The exterior of the mall has been carefully designed to blend in with the surrounding area. It will be clad in high quality brickwork, and will have traditional slate pitched roofs. Work is due for completion in time for the centre to be trading by Christmas 1986.

Mothercare warehouse complex

An £8.3m contract to build a national distribution centre for Mothercare UK has been awarded to **TAYLOR WOODROW CONSTRUCTION (MIDLANDS)** of Stafford. Work on the 10-month project to construct the 25,000 sq metre warehouse and office complex on the Park Farm Enterprise Zone at Wellingborough, Northants, is due for completion in July 1986. The main building will have a structural steel frame on concrete foundation and a reinforced concrete ground floor slab. The external cladding will be steel-faced, insulated interlocking panels with PVC membrane roofing on profiled metal decking. Internal works include blockwork walls and partitions to the offices and maintenance areas as well as such interior finishes as carpets, tiling and suspended ceilings. External works entail constructing a vehicle wash facility, a gatehouse, lorry and car parking, paths, fencing, drainage and landscaping. Service installations include sprinklers and mechanical systems for goods handling and storage.

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POCHIN'S has won a batch of orders totalling almost £6m. Heading the list is a £1.2m contract to build a retail distribution centre for Boots at Sealand Road, Chester. Pochin has also received a £1m award to build a three storey Crown building at Ruthin, Clwyd, for the Property Services Agency. Other contracts include: offices and warehousing for Northern Feather in Manchester (£500,000); factory extensions for the Clayton Aniline Co. Manchester (£252,000); production unit extensions for Gandalf Digital Communications at Warrington (£603,000); a new station for British Rail in Liverpool (£102,000); a factory at Deeside Industrial Park for Dexters (£870,000); and school extensions in Wrexham for Clwyd County Council (£1.2m).

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY
COMPANY MEETINGS—
Multitone Electronics, Ironmongers Hall, Shaftesbury Place, Aldersgate Street, E.C., 11.00
BOARD MEETINGS—
[illegible]

Greycoat City Offices, Leconfield House, Curzon Street, W., 12.00
Ingram (Harold) 82-84 High Cross Street, Leicester, 2.30
[illegible]

Biddle
Bridon
Burmah Oil
Connells Est Agents
Desoutter Bros
Fisher (James)
Fitch
Garnar Booth
Gen Mining UnionCp
Hepworth Ceramic
Huntleigh Tech
Jaguar
Laing (John)
London Utd Invs
MCD
Morgan Crucible
New London Props
[illegible]

Nedllora Fin. Nts. 1993 $2060.42
Park Food Grp. 2.4p
Saga Holidays 1.6p
Vaal Reefs Expln. and Mining 276.40047p
FRIDAY SEPTEMBER 13
COMPANY MEETINGS—
Charter Cons., London Intnl. Press Centre, 76, Shoe Lane, E.C., 12.00
G.E.C. Institution of Elec. Engrs., Savoy Place, WC, 12.00
Graig Shipping, 113-116 Bute Street, Cardiff, 11.15
Hampton Gold Mining Areas, Management House, Parker Street, W.C., 12.00
Radiant Metal Finishing, 69, Fairfield Rd., Bow, E., 10.30
Random (Wm.) Hitchin, Herts, 3.00
BOARD MEETINGS—
[illegible]

UK COMPANY NEWS

All-round progress lifts Laird profits by 21%

The Laird Group has made a broadly based advance in the six months to June 30 1985, and has announced a 21 per cent increase in pre-tax profits from £10.86m to £13.11m.

The directors of this engineering and transport systems group are lifting the interim dividend from 2.3p to 2.4p to be paid on December 2. For 1984 a total of 6.5p was paid, when taxable profits reached £24.12m.

With turnover for the half year ahead from £153m to £203m, the exception to the general advance has been the group's transport division, as predicted by Mr Ian Morrow, the chairman, in his 1984 statement.

He now particularly points out the continued successful development of the sealing systems division. It has acquired SLIC, a major manufacturer of windscreen and other car body seals in France, and also Plastic Profiles, a U.S.-based manufacturer of extruded plastic window components.

He adds that these advances were supported by further improvements in the service industries and specialist engineering divisions. The latter with the addition of Fullarton Fabrication (Irvine), a supplier of steel fabrications and components for the computer industry.

The tax charge for this half has risen from £3.7m to £4.22m, and includes £2.5m (£1.8m) of overseas tax.

Available profit comes out at £8.79m against £7.16m, and after dividends absorbing £1.88m (£1.8m), retained profit is higher by £1.55m at £6.91m.

• comment

Laird's interim figures fully endorse the view that its three growth areas of sealing, service and specialist engineering can more than compensate for the shrinking transport operation. Stripping out a £2m contribution from three small acquisitions and a £½m gain on foreign exchange, profits are still ahead by a tenth despite a £1½m drop to £2m from transport. And the trends are unlikely to alter much in the current half year so profits of around £29m pre-tax should be achieved dropping the prospective p/e to 6.7 —ludicrously low for a group which has demonstrated that the collapse of transport is no real problem. The group has strong quality management and when comparisons are made with some of the up and coming in the engineering sector Laird's rating looks even sillier. A p/e in double figures would certainly help acquisitional ambitions though even without it the market might see a fairly sizeable takeover early next year.

Confident Crouch moves up to £1.3m

FOLLOWING a recovery from £896,000 to £1.76m for the whole of 1984, Derek Crouch, opencast mining, earth moving, civil engineering concern, boosted taxable profits from £516,000 to £1.31m for the six months ended June 30 1985.

The directors say that the group's financial position remains strong and they anticipate that the full year's results will continue to reflect the improved trend.

They add that first half figures augment the upturn in profitability recorded in the group's statement last March.

After tax of £492,000, compared with £227,000, earnings per 20p share are shown as 6.58p, against 2.32p. The interim dividend is lifted to 1.758p (1.63p)—last year's final distribution was 3.763p.

Turnover was down slightly at £30.73m (£32.52m) and the pretax figure was after lower interest of £243,000 (£362,000).

The company's opencast coal mining operation has performed well.

While market prices remained somewhat depressed, strict control of costs and production levels together with the recent negotiation of an extended 10-year contract to supply a major utility, should secure an encouraging future for this part of the group, they add.

The UK opencast mining maintained its levels of production and return. Poor weather conditions throughout the year have, however, disrupted some aspects of the company's activities, although the lifting of contractual tonnage restrictions in England and Wales has helped to counteract these difficulties, it is stated.

The construction company's move to private sector development is gradually gaining momentum, and although the full impact of diversification is unlikely to be felt in the immediate future, the group's overhead rationalisation has minimised the operating deficit and the prospects for an early return to profitability are good, the directors state.

CASE overcomes U.S. problems and forecasts recovery

BY NIGEL CLARK

PROBLEMS IN expanding in the U.S. have resulted in CASE Group suffering losses in the first half. However the Watford-based manufacturer of data and communications products says that the difficulties have been overcome and profits are expected in the full year.

On the announcement by Mr Peter Burton, chief executive, that in the six months to the end of this month the company was unlikely to be profitable, the share price fell heavily from 150p, hitting 105p at one stage. It closed at 127p on Friday.

Last year CASE reported interim pre-tax profits of £4.2m with £6.5m in the second half.

Mr Tony Richards, marketing communications manager, said following the acquisition of Rixon in the U.S. last year the group invested in enlarging the sales organisation for the launch of two new products. Both however were late due to problems in the software.

"In the short term this meant that we did not meet our sales targets and as we are dealing in products with high margins it does not take much to make the profits disappear," he said.

The products were now available however and had been getting good reviews. They were selling well against the competition and during September the company expected to recover some of the ground lost, with the rest being made up in the second half.

He added that he did not think CASE would suffer the same problems in expanding into the U.S. as had affected some other British high technology companies. The present problems were temporary and there was nothing financially wrong with the company.

In the UK, the company was performing well and results were up on the previous years. It had a dominant position in its market and was continuing with the introduction of new products and expanding exports.

Court approval for BP's Seltrust scheme

Court sanction has now been received for the scheme of arrangement of British Petroleum's 75.4 per cent-owned Australian mining subsidiary, Seltrust Holdings. The effective date for implementation is September 12 when dealings will begin in the new Paragon Resources.

Under the scheme minority holders of Seltrust have been offered 3½ shares of 20 cents in Paragon plus options to buy a further 3½ shares at par in return for every one share held in Seltrust.

Paragon will hold a 75 per cent stake in the promising Temora gold prospect in New South Wales and A$9.2m (£4.7m) in cash among other assets.

These would have included the right to purchase 9.5 per cent of the production from the Agnew nickel mine but this aspect is currently subject to litigation.

Banks agree Common Brothers reconstruction

BY DAVID GOODHART

FINAL AGREEMENT has now been reached on the financial reconstruction of Common Brothers, the troubled shipping group, which releases the company from loans and other obligations amounting to about £34m (US$45m).

The lenders—principally the Midland Bank, Hambros Bank, Manufacturers Hanover Trust and PK Christiania—will now take a 33 per cent stake in the new enlarged capital rising from 6m to 65m shares. The Norex Corporation, a Bermuda-based company controlled by trusts owned by Mr Kristian Siem, held about 55 per cent of the original shares and will continue to hold the same proportion of the expanded capital.

In addition £0.35m is being subscribed by a new participant, Gyllenhammer and Partners, a Swedish merchant bank, in return for about 7.7 per cent of the enlarged share capital.

Dealings in the company's shares were suspended at 35p on June 5 when the reconstruction discussions were announced. That compared with a price of 112p before it revealed a £17m write-off on the Iro Frigg drilling ship which pushed it into a loss of £30.1m in the year ending June 1984 against a previous profit of £2.2m.

Mr Siem said yesterday that the two principal businesses of the company—the Iro Frigg and the Bahama Cruise Line—had now been converted into 100 per cent owned subsidiaries. Attributable net liabilities before the reconstruction were £12.3m—attributable net assets are now £1.5m.

SHARE STAKES

CHANGES in company share stakes announced over the past week include:

Milford Docks — Morgan nominees now hold 175,000 ordinary stock (5.6 per cent) on behalf of Banque Morgan Grenfell en Suisse SA of Geneva.

Phoenix Timber—Director Mr M. J. Hermann ceased to be interested in 24,998 ordinary shares.

Penny and Giles International—Mr R. W. Wills, director, has disposed of 25,000 ordinary shares reducing his holding to 68,788.

Hobson—Mr R. D. Harnett has purchased 80,000 ordinary making his total holding 200,000 (1.92 per cent). Mr P. Brenan has purchased 60,000 ordinary making his holding 160,000 (1.54 per cent).

Stroud Riley Drummond—On August 29, the following directors purchased ordinary shares: Mr E. E. Taylor 36,000, Mr M. Dickson 24,000, Mr G. P. Knowles 6,000 and Mr S. M. Simmonds 84,000.

Barbican Holdings—Director Mr W. Fitch, and companies under his control, have disposed of 5.8m (4.8 per cent) Ordinary. Mr Fitch no longer has any interest in the equity.

Greenwich Resources—Director Mr J J. Clarke has sold 285,000 Ordinary shares (nil paid rights).

Lonrho—On August 23 Robert Fleming (Nominees) was the registered holder of 24,799,361 Ordinary of Lonrho (the Fleming shares).

Armstrong Equipment — Mr J. H. Hopper, a director, has exercised his option over 121,570 Ordinary shares.

Redfearn National Glass—Industrial Equity (Pacific) holds 1,010,000 Ordinary (16.6 per cent).

May and Hassell—Deltec Securities (UK) and its associates now own 1,426,666 Ordinary shares (15.2 per cent).

Cosalt — Intermarittime Chandlers purchased 100,000 shares and now holds 1,710,000 Ordinary shares (18.9 per cent).

FINANCIAL TIMES STOCK INDICES

	Sept. 6	Sept. 5	Sept. 4	Sept. 3	Sept. 2	Aug. 30	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.25	83.60	83.60	83.39	83.37	83.54	83.87	76.02	127.4	49.18
Fixed Interest	88.40	88.48	88.44	88.39	88.37	88.57	88.81	82.17	150.4	50.53
Ordinary	1020.8	1003.3	1006.4	1007.8	1013.5	1013.9	1024.5	911.0	1024.5	49.4
Gold Mines	314.2	309.5	289.9	291.2	291.7	290.7	536.9	208.1	734.7	43.5
FT-Act All.Share	644.69	640.56	642.56	648.33	646.82	646.88	648.82	581.88	648.82	61.92
FT-SE100	1332.2	1322.0	1326.7	1336.8	1340.3	1340.9	1340.8	1206.1	1342.4	986.9

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
§59	F.P.	9/8	65	58	✻ATA Selection 5p	63	......	bg1.5	2.6	3.4	17.1
67	F.P.	6/9	88	69	✻Aberd'n Steak H. 5p	84	......	ug2.2	3.0	3.7	10.0
¶¶	F.P.	—	£20½	£19	Alex. & Alex. c. $1	£20¾	+⅜	—	—	—	—
§34	F.P.	20/9	41	35	Anglo Utd. Dev.	41	......	bd1.05	2.1	3.6	18.9
—	F.P.	—	7	5	Bardsey Pfd. Ord.	7	......	—	—	—	—
170	F.P.	23/8	203	195	Bradstock 5p	203	......	bg5.25	2.4	3.7	16.2
375	200	10/9	253	128	British Aerospace 50p	202	+12	13.65	3.1	6.1	7.0
185	100	1/10	148	117	Britoil 10p	145	+4	t13.0	3.0	8.1	6.6
‖ ‖	F.P.	—	145	140	Business Mort. Tst.	140	......	u1.51	3.9	1.5	24.0
§80	F.P.	27/9	91	77	✻CCA Galleries 10p	91	+1	bg2.55	2.8	3.7	13.7
‖ ‖	F.P.	30/8	100	90	✻CobraEmer'ldMines	90	......	—	—	—	—
§70	F.P.	20/9	75	69	Conrad Hldgs.	69	......	bg3.5	2.2	7.2	9.1
§115	F.P.	6/9	128	115	ControlTechniques10p	118	......	bg2.7	2.7	3.3	14.4
§51	F.P.	—	52	48	✻Dean Park Hotels	49	......	—	—	—	—
160	F.P.	26/7	130	95	First Security 10p	130	......	u3.5	2.6	3.8	12.8
Ir.97	F.P.	26/7	77	68	Green Property Ir. 25p	68	......	t2.57½	1.5	3.8	25.7
‖ ‖	F.P.	—	123	100	Greenwich Resources	100	......	—	—	—	—
§20	F.P.	27/9	26½	25	✻Israel (Jack L.) 4p	25½	+½	60.5	2.3	2.7	22.6
§110	F.P.	6/9	112	96	✻Lewmar	105	......	u2.625	3.0	3.6	13.0
§65	F.P.	30/8	72	68	✻Lysander Pet. 5p	72	......	—	—	—	—
§44	F.P.	—	62	46	✻Micha'l(J)Design 2½p	62	+2	1.0	3.6	2.3	17.2
105	F.P.	4/9	107	87	✻Moss Advertising 5p	95	......	bg2.45	3.0	3.7	13.0
§99	F.P.	9/8	146	102	✻Polypipe 10p	146	......	b2.9	2.7	2.8	18.2
150	F.P.	9/8	125	93	✻Sapphire Petm. 50p	93	......	—	—	—	—
§73	F.P.	—	104	74	✻Trilion 10p	87	......	bg1.1	4.2	1.8	18.1
110	F.P.	30/8	133	117	✻Yellowhammer 5p	132	+2	bg1.6	1.4	1.7	20.3

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
87.305	£30	—	30⅞	30	Australia 9½% Ln. 2012	30⅛	+¼
§91.443	£30	—	28½	28¼	Bank of Greece 10¾% Ln. 2010	28½	+¼
§96.456	£25	27/11	26¾	26⅛	Brixton Est. 10¾% 1st. Mort. Deb. 2025	26½	−⅛
¶¶	F.P.	27/8	111	100	Burton 8% Cnv. Uns. Ln. 2001	111	+4
¶¶	F.P.	26/10	112	106	Guinness 8¼% Cnv. Uns. Ln. 1996/2001	112	+5
¶100	£10	—	15½	13½	Eastbourne Water 8¾% Red. Prf. 1995	13½	......
88.466	£30	24/1	31⅛	29¼	Intl. Bk. for Rec. & Dev. 9½% Ln. 2010	30⅛	−¼
§99.858	F.P.	16/10	100⅞	99⅞	Keystone Invs. 11⅛% Deb. 2010/15	100½	−¼
‖	F.P.	16/10	103	100	Macallan-Glen. 6½ Cnv. Uns. Ln. 2005	103	......
90.705	F.P.	6/9	95⅛	90⅞	Malaysia 10¾% Ln. 2009	93⅛	−¼
—	F.P.	—	100⅛	99⅛	Nationwide 11⅛% Bds. 11/8/86	99⅛	−⅛
—	F.P.	—	100	99¾	Do. 11¼% Bds. 1/9/86	99¾	−⅛
¶¶	F.P.	—	100	95	REA 9% Cum. Pref.	100	......
‖	F.P.	—	103p	101p	Wintrust 5¼% Cnv. Cum. Pref.	103p	......

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
90	F.P.	25/9	200	173	✻Applied Holographics 5p	190.5	......
180	F.P.	9/9	340	220	Bestwood 15p	340	......
47	Nil	—	12pm	8pm	Brit. Vending 10p	12pm	......
25	F.P.	17/9	29½	28	Brown (J.) A	28	−1
6	F.P.	11/9	7½	5¼	Dares Est. B 5p	7½	......
280	F.P.	13/9	347	305	Extel	347	+2
360	F.P.	27/9	416	405	Forshaws Burtonwood	410	+5
62	Nil	—	63pm	40pm	Greenwich Resources	40pm	−2
165	100	26/10	130	99	Hanson Trust	127	......
25	F.P.	24/9	37½	28	Nolton	37½	+2½
230	Nil	—	45pm	2pm	Oceana Dev. Inv. Tst.	2pm	......
120	F.P.	30/8	157	123	Prestwich	157	+3
15	Nil	—	4pm	2pm	RTD Group IR 1.75p	2½pm	......
400	F.P.	20/9	568	463	Slebe	568	+3
425	F.P.	20/9	505	445	TACE 10p	465	−5
250	F.P.	23/9	300	285	✻Thermal Scientific	295	−5

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‖‖ Introduction. ✻ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*APV	Aug 17	Interim 4.5
*Associated British Ports	Sept 11	Interim 3.0
*Automotive Products	Sept 10	Interim 1.0
*BAT Inds.	Sept 10	Interim 4.05
BPCC	Sept 20	Interim 3.0
*BTR	Sept 11	Interim 5.75
*Bank of Scotland	Sept 25	Interim 6.25
Barratt Devs.	Sept 18	Final 5.31
*Barrow Hepburn	Sept 17	Interim 0.8
*Bilton (P.)	Oct 4	Interim 3.9
Boddingtons Breweries	Sept 13	Interim 1.23
*Bowater	Sept 11	Interim 3.5
*Brent Chems.	Sept 16	Interim 0.75
*Brixton Est.	Sept 17	Interim 2.1
*Burmah Oil	Sept 12	Interim 3.5
Charterhouse Petroleum	Aug 30	Interim 0.25
*Coats Patons	Sept 17	Interim 1.65
Combined Eng Stores	Sept 25	Interim 1.96
*Cons Gold Fields	Sept 17	Final 18.0
*Costain	Sept 11	Interim 6.0
*Croda Intl	Sept 10	Interim 4.286
DRG	Sept 26	Interim 3.0
Dalgety	Sept 17	Final 13.0
*Delta	Sept 13	Interim 1.82
Enterprise Oil	Sept 24	Interim 3.0
*Euro Ferries	Sept 9	Interim 1.1
*Expamet Intl	Sept 10	Interim 2.0
*Fisons	Sept 17	Interim 1.8
Foseco	Sept 26	Interim 2.8
Glaxo	Oct 8	Final 9.0
*Grattan	Sept 26	Interim 1.0
Hammerson Prop.	Oct 5	Interim 2.0
*Hepworth Ceramic	Sept 12	Interim 2.75
Higgs & Hill	Oct 10	Interim 4.5
*Ibstock Johnsen	Oct 7	Interim 2.5
*Inchcape	Sept 30	Interim 7.15
*Laing (J.)	Sept 12	Interim 1.75
*Laporte Inds	Sept 19	Interim 3.2
*Legal and General	Sept 18	Interim 7.5
*Lond Merchant Securities	Sept 10	Final 1.25
*Menzies (J.)	Sept 23	Interim 1.125
Mills and Allen Intl.	Oct 1	Final 10.0
*Morgan Crucible	Sept 12	Interim 3.7
NEI	Sept 25	Interim 1.65
News Intl	Sept 21	Final 4.8943
Octopus Publishing	Sept 25	Interim 3.6
Phoenix Assurance	Sept 11	Interim due
*Prudential	Sept 12	Interim 7.5
*RMC	Sept 25	Interim 4.4
*RTZ	Sept 19	Interim 6.5
Raybeck	Oct 12	Interim nil
*Reckitt and Colman	Sept 11	Interim 5.5
Rockware	Sept 10	Interim due
Rowntree Mackintosh	Sept 20	Interim 3.6
*Rugby Portlnd Cement	Sept 30	Interim 2.9
Sears	Oct 9	Interim 0.8
Scot Metropltn Property	Oct 5	Final 2.15
*Sedgwick	Sept 12	Interim 3.0
*Shell Transport	Sept 12	Interim 11.9
*Simon Eng	Sept 16	Interim 5.0
*Staffs Potts	Sept 19	Final 2.0
Steetley	Sept 25	Interim 4.5
Superdrug Stores	Sept 24	Interim 1.7
*Tarmac	Sept 16	Interim 4.0
*Travis and Arnold	Sept 17	Interim 1.95
*Turner and Newall	Sept 12	Interim 1.0
*Utd Biscuits	Sept 12	Interim 2.7
Vickers	Sept 27	Interim 4.0
*Willis Faber	Sept 10	Interim 7.0
*Wimpey (George)	Sept 26	Interim 0.85
*Woolworth	Sept 18	Interim 3.5

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—British Vita, Estates and General Investments, European Ferries, Low and Bonar, Memec (Memory and Electronic Components), Persimmon, H. and J. Quick, Sale Tilney, Sintrom, Television Services International.

Finals:—Capital Television Facilities, Foreign and Colonial Investment Trust, Mezzanine Capital, Our Price, Whitworth Electric.

FUTURE DATES

Interims:—

APV	Sept 17
Baird (William)	Sept 19
Blockleys	Sept 11
Bowthorpe	Oct 8
Brown Boveri Kent	Sept 19
Canning (W.)	Sept 23
Early's of Witney	Sept 30
East Rand Gold and Uranium	Oct 17
Fleming Universal Invest. Tst.	Sept 25
Garnar Booth	Sept 12
Hall Engineering	Sept 16
Ibstock Johnsen	Oct 7
Invergordon Distillers	Sept 16
Laporte	Sept 19
Legal and General	Sept 18
London Park Hotels	Sept 11
Manor National	Sept 16
Petranol	Sept 17
Rugby Portland Cement	Sept 30
Sedgwick	Sept 12
Spear and Jackson Intnl.	Sept 24
Sutherland (E. T.)	Sept 16
Wold	Sept 25

Finals:—

Arbuthnot Dollar Inc. Trust	Sept 12
Baillie Gifford Japan Trust	Sept 24
Free State Geduld Mines	Oct 17
London Shop Property Trust	Sept 12
Mann	Sept 16
Nthn. Ind. Improvement Tst.	Sept 20
President Brand Gold Mining	Oct 17
President Steyn Gold Mining	Oct 17
Save & Pros. Sterling Dep. Fd.	Oct 4
Scholes (George H.)	Sept 17
Telefusion	Sept 12
Welkom Gold Mining	Oct 17
Western Holdings	Oct 17
Wood (S. W.)	Sept 13

FT Share information

The following securities have been added to the Share Information Service:

Abbey Life (Section: Insurances), **Appletree** (Foods, Groceries), **Baillie Gifford Shin Nippon** (Investment Trusts), **Micro Scope** (Electricals), **Modder B Gold Holdings** (Mines, Eastern Rand), **Pacer System** (Industrials), **Tiphook** (Industrials).

This announcement appears as a matter of record only.

June 1985

Eagle Star Insurance Company Limited

£40,000,000

Ten year evergreen Transferable Loan Facility

for the purpose of granting residential mortgage loans

Facility arranged by

County Bank Limited

Provided by

Bank of America N.T. & S.A.
The Bank of Nova Scotia
Banque Paribas (London)
County Bank Limited
Credit Suisse
Kredietbank N.V. (London)
The Mitsubishi Bank, Limited
The Royal Bank of Canada
The Sumitomo Bank, Limited
Swiss Bank Corporation

Agent

County Bank Limited

This announcement appears as a matter of record only.

July 1985

Silver Chalice Productions

Silver Chalice Productions International Limited

US$15,000,000

Revclving Credit Facility

To finance independent television production

Managed by

County Bank Limited

Funds provided by

County Bank Limited
Citibank, N.A.
Robert Fleming & Co. Limited

Agent

County Bank Limited

This announcement appears as a matter of record only.

July 1985

Broadgate

London, E.C.2.

£35,000,000

Non Recourse Loan

To finance the development of

Phase I Broadgate

Funds arranged on behalf of

Rosehaugh Stanhope Developments PLC

Arranged by

County Bank Limited

Managed by

Bankers Trust Company
County Bank Limited
Bank of America N.T. & S.A.
National Westminster Bank PLC

Provided by

Bankers Trust Company
Central Trustee Savings Bank Limited
National Westminster Bank PLC
Bank of America N.T. & S.A.
County Bank Limited
The United Bank of Kuwait Limited
Yorkshire Bank PLC

Agent

County Bank Limited

This announcement appears as a matter of record only.

August 1985

Harris Queensway PLC

£25,000,000

Revolving Loan and Acceptance Credit Facility

Arranged by

County Bank Limited

Funds provided by

Amsterdam – Rotterdam Bank N.V.
Central Trustee Savings Bank Limited
Citibank, N.A.
National Westminster Bank PLC
The Royal Bank of Canada Group

Agent

County Bank Limited

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
22 May 22 Nov	Exch. 12¼pc 1985	100	15.4	12.25	11.62
25 Aug 25 Feb	Exch. 11¾pc '86	100¼	19.7	11.72	11.02
11Oct 11Apr	Treas. 10pcCnv 1986	99½xd	4.9	10.05	11.05
19 Nov 19 May	Treas 3pc 1986	95¾	12.4	3.13	9.35
19 Nov 19 May	Exch. 10½pc Cv '86	99⅝	12.4	10.54	10.97
12Dec 12Jun	Treas 12pc 1986	100¾	7.5	11.91	10.83
10 Jan 10 Jul	Treas 8¾pc 1984-86‡‡	98	3.6	8.64	10.53
29 Apr 29 Oct	Exch. 14pc 1986	103	25.3	13.54	10.73
21 May 21 Nov	Exch. 2½pc 1986	94	15.4	2.64	7.43
22Jul 22Jan	Exch. 13¼pc 1987	103⅛	17.6	12.84	10.64
10 Aug 10 Feb	Treas 10¼pcCv '87	99½	4.7	10.30	10.58
24Aug 24Feb	Exch 2½pc 1987	92	18.7	2.69	7.69
6Oct 6Apr	Exch. 10½pc 1987	99⅝xd	2.9	10.50	10.62
1 Nov 1 May	Funding 6½pc '85-87‡‡	94¼	25.3	6.89	10.30
12Dec 12Jun	Treas. 10pc 1987	98⅞	7.5	10.11	10.67
14Jan 14Jly	Treas 3pc 1987	91	7.6	3.30	8.35
3May 3Nov	Treas. 12pc 1987	102⅜	27.3	11.71	10.62
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	94⅞	19.6	8.17	10.19
10Nov 10May	Exch 10½pc '88	99½	3.4	10.54	10.71
14Dec 14Jun	Treas 9¾pc Cv '88	97	8.5	9.98	10.82
1Jan 1Jul	Transport 3pc '78-88	86½	28.5	3.49	8.68
25 Apr 25 Oct	Treas. 9½pc '88	96	19.3	9.83	10.80
22 Aug 22 Feb	Treas 11½pc 1989	102	16.7	11.23	10.70
18 Oct 18 Apr	Treas 9½pc Cnv. '89	96¼	12.3	9.85	10.77
15Nov 15May	Treas 3pc 1989	82	—	3.63	8.62
14Dec 14Jun	Treas 10½pc 1989	99	8.5	10.54	10.66
1Feb 1Aug	Exch.10pc 1989	97	25.6	10.21	10.63
29 Mar 29 Sep	Exch 11pc 1989	100⅞xd	23.8	10.88	10.74
15 Apr 15 Oct	Treas 5pc 1986-89	85	11.3	5.84	9.31
15 Jul 15 Jan	Treas 13pc 1990‡‡	108¼	10.6	12.00	10.59
12 Aug 12 Feb	Exch 11pc 1990‡‡	101¼	8.7	10.85	10.64
22 Sep 22 Mar	Exch. 12½pc 1990	106xd	16.8	11.73	10.72
8 Nov 8 May	Treas. 3pc 1990ø	77¼	—	3.86	8.94
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	92	9.5	8.92	10.28
	Five to Fifteen Years				
25 Apr 25 Oct	Treas. 10pcCv 1990	100⅝	19.3	10.32	10.79
10Ja 10Jan	Treas 11¾pc 1991	105[illegible]	3.6	11.35	10.83
5Oct 5Apr	Funding 5¾pc '87-91‡‡	84⅞xd	2.9	6.74	9.19
25Apr 25Oct	Exch. 11pc 1991	104¾	19.3	10.92	10.81
22Jly 22Jan	Treas 12¾pc 1992‡‡	110¼	17.6	11.75	10.83
21Aug 21Feb	Treas 10pc 1992	97⅛	15.7	10.32	10.67
7 Nov 7 May	Treas 10½pc Cv 1992‡‡	102⅛	1.4	10.63	10.75
25 Feb 25 Aug	Exch. 12¼pc '92	106⅞	19.7	11.52	10.91
22Mar 22Sep	Exch 13½pc 1992	111¼xd	16.8	12.03	10.97
14Jan 14Jul	Treas 12½pc 1993‡‡	110⅛	7.6	11.53	10.86
15Mar 15Sep	Funding 6pc 1993‡‡	80⅝xd	9.8	7.43	9.49
23May 23Nov	Treas 13¾pc 1993‡‡	119⅝	16.4	12.20	10.91
1 Sept 1 Mar	Treas 14½pc 1994‡‡	120½xd	26.7	12.08	10.83
27Oct 27Apr	Exch 13½pc 1994	118¼	21.3	11.87	10.98
22Feb 22Aug	Exch. 12½pc 1994	109½	16.7	11.48	10.92
17May 17Nov	Treas 9pc 1994‡‡	93¼	10.4	9.90	10.55
25Jul 25Jan	Treas 12pc 1995	107¼	18.6	11.30	10.90
1Nov 1May	Gas 3pc '90-95	70¼	25.3	4.31	7.47
21Jan 21Jul	Exch. 10¼pc 1995	98⅛	14.6	10.60	10.79
15May 15Nov	Treas 12¾pc 1995‡‡	115⅝	9.4	11.43	10.83
22Jly 22Jan	Treas. 14pc '96	120⅛	17.6	11.83	10.97
15Sep 15Mar	Treas 9pc 1992-96‡‡	90½xd	9.8	9.94	10.52
3Nov 3May	Treas 15¼pc 1996‡‡	132	27.3	12.04	10.94
15Nov 15May	Exch 13¼pc 1996‡‡	119⅝	9.4	11.48	10.78
1Apr 1Oct	Redemption 3pc 1986-96	75¼xd	27.8	3.95	6.01
22Jul 22Jan	Treas 13¼pc 1997‡‡	117	17.6	11.45	10.80
21Aug 21Feb	Exch 10½pc 1997	99⅛	15.7	10.64	10.69
1Mar 1Sep	Treas 8¾pc 1997‡‡	88½xd	26.7	9.92	10.51
27Apr 27Oct	Exch. 15pc 1997	131¼	21.3	11.89	11.02
19 Jul 19 Jan	Exch. 9¾pc 1998	95½	12.6	10.36	10.60
1Nov 1May	Treas 6¾pc 1995-98‡‡	78	25.3	8.89	10.23
30Mar 30Sep	Treas. 15½pc '98‡‡	130⅝xd	27.8	11.79	10.92
20May 20Nov	Exch. 12pc 1998	112⅛	15.4	11.00	10.74
15Jul 15Jan	Treas 9½pc 1999‡‡	94⅝	10.6	10.20	10.45
26Sep 26Mar	Exch. 12¼pc 1999	110⅛xd	20.8	11.04	10.71
19Nov 19May	Treas. 10½pc 1999	102¼	12.4	10.55	10.56
22May 22Nov	Conversion 10¼pc 1999	100¼	15.4	10.50	10.56
14Jan 14Jul	Treas. 13pc 2000	118¼	7.6	11.14	10.72

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INSURANCES

LEISURE

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

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Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

—	McFinley Red Lake	215	—	—	—
—	Mosto Explorations	290	—	—	—
—	New Sabina Res C$1	42	—	—	—
—	Nordgate C$1	260	9.7.7	—	—
Jan. July	RTZ	593	13.5	20.0 2.7	4.8
Jan. July	Do. 9½pcLn '95-2000	£130½	13.5	Q9½% 14.0	†7.4
—	Tara Expln $1	£10½	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¤ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	96	.....	Arnott	198	.....
Craig & Rose £1	780	.....	CPI Hldgs	61xd	.....
Finlay Pkg. 5p	65	+6	Carroll Inds.	143	.....
Higsons Brew	235	.....	Dublin Gas	73	.....
Holt (Jos) 25p	720	.....	Hall (R & H)	60	.....
IoM Stm. £1	106	+16	Heiton Hldgs.	23	−2
IRISH			Irish Ropes	48	.....
Fund 11¼% 1988	£101⅞		Jacob (W.& R.)	80½	.....
Nat. 9¾% 84/89	£97¼	+⅛	Unidare	106	.....
Fin. 13% 97/02	£108⅛				

"Recent Issues" and "Rights" Page 12
(International Edition Page 18)

INTERNATIONAL APPOINTMENTS

Union Carbide creates health and safety post

BY WILLIAM HALL IN NEW YORK

UNION CARBIDE, the U.S. chemicals group with safety practices that have come under fire ever since last December's disaster in Bhopal, in India, has appointed Mr Cornelius C. Smith to the new post of vice-president, community and employee health, safty and environment.

Mr Smith, aged 43, will assume some of the duties of Mr Jackson B. Browning, Union Carbide's vice-president for health, safty and environmental affairs. Mr Browning, who will reach retirement age in August next year, will continue to serve as the group's spokesman on health, safety and environmental issues, work with plant locations and other facilities to further communications with community representatives, and represent Union Carbide with various trade organisations.

Mr Smith, who joined Union Carbide in 1978 as a lawyer, will be responsible for co-ordinating corporate standards for community and employee health, safety and environmental risk assessment and control, and initiate new standards as appropriate; and assure that policies and procedures for effective compliance with corporate standards are adopted and implemented worldwide.

Mr Smith will report to Mr Warren Anderson, Union Carbide's chairman, who says that the company's goal is "to achieve and maintain a level of health, safety and environmental protection in all of our operations that is second to none."

Amro moves closer to clients

BY LAURA RAUN IN AMSTERDAM

AMSTERDAM - ROTTERDAM Bank (Amro), the second largest bank in the Netherlands, is creating a new echelon of senior executive vice-presidents as part of ongoing efforts to deal more closely with clients, particularly corporate ones.

The six new senior executive vice-presidents will take over much of the day-to-day responsibilities currently handled by the board of managing directors, leaving them to concentrate on general policies and strategies. The change will take effect January 1 1986.

As a result, the board of managing directors will be reduced in size from the present 10 members, beginning next year with the retirement of Mr C. J. Westreener and Mr R. Koole. In 1987, Mr G. J. van Der Kloet will retire, although one or two of the retirees may be replaced.

The designated senior executive vice-presidents, who presently are general managers, are the following: Mr Bram Deknatel, Mr G. Dirks, Mr Reekman Groenink, Mr Zweder van Hovel Tot Westerflier, Mr Willem van der Schoot and Mr Reenhard van Tets.

Dutch banks generally are striving for more market-oriented operations, with Amro having reorganised its treasury department earlier this year to combine foreign-exchange, securities trading and capital markets activities. The amalgamation of these desks under one roof was viewed as a way of better serving corporate clients and exploiting the trend toward merging of financial services.

Bank Leu forms commercial arm

BY JOHN WICKS IN ZURICH

BANK LEU, the fifth biggest Swiss bank is to reorganise its management structure by the creation of a commercial banking division, to take over the commercial activities of the present foreign division, as well as operations of the domestic commercial banking department.

Dr Hanspeter Enderlin, head of Leu's foreign division is to leave the bank at the end of the year.

The new division will be taken over by Mr Adolf Braendle, of Union Bank of Switzerland. Mr Braendle, a jovial 50-year-old, is well known in international banking circles as head of capital-market financing at UBS.

As the man in charge of domestic and foreign business —in both Swiss francs and foreign currencies — an important department at the country's leading bank, Mr Braendle seems a natural choice for Leu's commercial banking division.

The move will mean promotion for Mr Braendle, within banking hierarchy. Now a manager at UBS, he will be appointed a deputy general manager when he joins Leu in mid-October. It seems likely that he will soon after be made up to general manager, the rank currently held by Dr Enderlin.

Mr Braendle will be succeeded at UBS by Dr Ulrich Grete, now his deputy in capital-market financing.

It is not yet known what position Dr Enderlin will take up after leaving Bank Leu.

Sears' Coldwell switch

SEARS, ROEBUCK AND CO, the diversified stores to financial services concern, has nominated Mr Arthur J. Hill chairman and chief executive officer of Sears' Coldwell Banker Real Estate group, reports Reuter from Chicago.

Mr Hill, chairman of Sear's Homart Development Company, replaces Mr G. Wesley Poulson, who announced his retirement earlier this month. The Sears board will be asked to elect Mr Hill at its October meeting.

New job at Deak for Chan

By Our New York Staff

MR CHAN CHER BOON, a Singapore financier, has been appointed president and chief executive of Deak-Perera US, the oldest and largest foreign currency and precious metals company in the U.S. following the resignation of Mr R. Leslie Deak.

Mr Chan Cher Boon, aged 38, recently agreed to buy Deak and Company, the parent of Deak-Perera US. Deak had filed for protection under Chapter XI of the U.S. Bankruptcy Code last December, following a run on the deposits of some of its banking affiliates. Aside from Deak-Perera, Deak and Co controls banking operations in Switzerland, Austria and the Cayman Islands.

Mr Chan Cher Boon qualified as a lawyer and an accountant and has worked as a management consultant, merchant banker and lawyer in the UK, Asia and Australia. Deak says that the resignation of Mr R. Leslie Deak was not unexpected, and was part of the agreement between Deak and Co and Chan.

Nissan move at Yue Loong

NISSAN MOTOR Company has decided to send four directors to Yue Loong Motor Company of Taiwan to follow-up with its capital participation. The decision was made at a stockholders' meeting in Taiwan last Saturday.

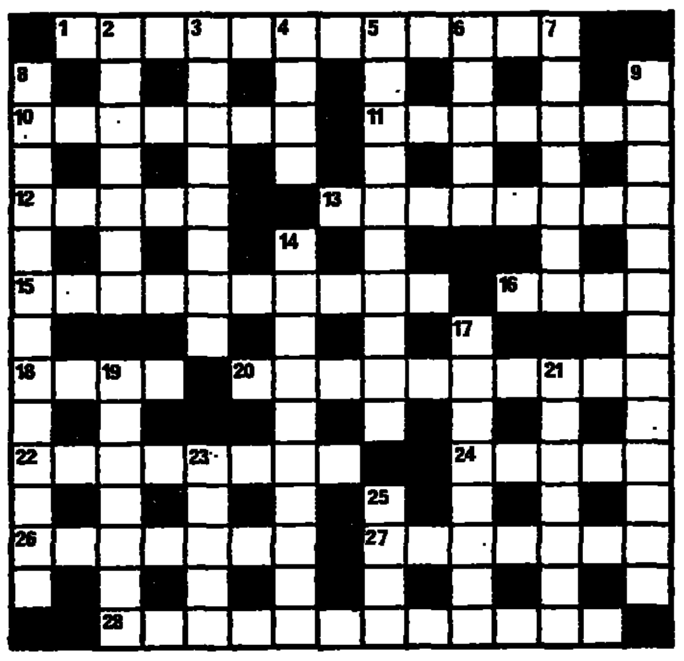
Nissan has been in a technical tie-up with Yue Loong Motor since 1959 and purchased 25 per cent of its shares in July this year.

Yue Loong Motor, capitalised at TW$3.9bn (US$98m), is now only assembling Nissan's cars and trucks. The 1984 output was 67,401.

NZIC post for Wallis

MR JEREMY WALLIS has been appointed general manager of the New Zealand Insurance Company in the U.S. and president elect of the New Zealand Reinsurance Company of America, which is in course of being incorporated. This follows the resignation of Mr Richard Maltby, to assume an appointment outside the group.

F.T. CROSSWORD PUZZLE No. 5,816



ACROSS

1 and 28 Battle line in 1861? (4,4,4,4,3,5)
10 True paper reflects mineral for colouring matter (7)
11 One shawl I knitted for African person (7)
12 Nick has weight backing Church (5)
13 Move Ruth around to get Herb drink? (8)
15 Seen at the Bath races? (5-5)
16 Engage me to get quiet! (4)
18 Fashion broken dome (4)
20 Interested in people with variation of accent? (10)
22 He usually holds his position . . . (8)
24 . . . Suitable position I cherish in part (5)
26 Scrap album—activity bringing back pain? (7)
27 Wood that's behind alloy (7)
28 See 1 across

DOWN

2 Confused, like a noodle? (2,1,4)
3 Cracked at dawn? (8)
4 Cart up a certain distance (4)
5 Temporary debarment of kind of bridge (10)
6 Fear of scalar mathematical problems (5)
7 I peer about round copper being devoted to sensual pleasures (7)
8 and 9 "Sink in it" (they told me)—Wye, Rhone? (could be Ben Jonson's lines) (5,2,2,4,4,5,4)
14 Road feature, more or less (10)
17 All in R.A.F. get excited (taking form of drops?) (8)
19 Speaks ill of ladies ingesting iron to be uplifted (7)
21 Cutting tooth? (7)
23 Hot in restaurant? Become irritated (5)
25 Furniture without top is fitted (4)

APPOINTMENTS

National Home Loans Corporation

THE NATIONAL HOME LOANS CORPORATION has announced its board of directors. Mr John Darby, non-executive chairman, who has been a partner in Arthur Young since 1959 and chairman since 1975. Mr Richard Lacy, chief executive, who was until recently director and chief general manager of the Birmingham and Bridgwater Building Society. Mr Kevin Milner, finance director, was until recently employed by Grand Metropolitan group, latterly as finance director of its retail division. Mr Michael Burns (non-executive), who is a director and general manager of Equity & Law Life Assurance Society. Mr Alan Gregory (non-executive), who retires from the British Petroleum Co in October 1985 and was, until September 1 chairman of BP Oil, BP's refining and marketing subsidiary in the UK and regional director for the UK and Ireland. Mr David Martin-Jenkins (non-executive), who is chairman of Primesight, and consultant with PA Developments. Sir Anthony Rawlinson (non-executive), who was joint permanent secretary of the Department of Trade and Industry between 1983-85. Mr Maurice Stonefrost (non-executive), who is the director general and clerk of the Greater London Council.

*

TOUCHE REMNANT has appointed Mr Michael Anthony a director of Touche Remnant and managing director of Touche Remnant Pension Fund Management. Mr Anthony was previously a director of MIM, formerly Montagu Investment Management.

*

Mr Michael Chalcraft has been appointed chairman of the south east regional board of TSB ENGLAND & WALES, a trustee of TSB England & Wales and a member of the TSB central board. These appointments follow the retirement of Mr Ronald Tilbury from the TSB Group. Mr Chalcraft is managing director of W. H. Brakspear & Sons.

*

Mr Keith Healey, sales and marketing director of BELL-FRUIT MANUFACTURING CO, has been appointed managing director. Mr John Austin and Mr Dale Chadwick have been appointed sales and marketing director and technical director respectively. Mr Jim Cameron, a director of Cope Allman International who has been chairman and managing director of Bell-Fruit Manufacturing since January 1985, will remain executive chairman.

*

Mr Alan J. Cole has been appointed to the board of CHRISTIAN SALVESEN from October 1. He served as a director of the food services division and managing director of the seafoods division before taking up his current position as president of Merchants Refrigeration Co. He will continue to be based in the U.S.

*

THE SECURITIES AND INVESTMENT BOARD has appointed Mr Richard Britten, until recently head of fixed interest sales at Drexel Burnham Lambert in London, its director, international securities regulation.

*

Mr Frank Lyness has been appointed planning manager, corporate planning directorate, economic planning division, at BRITISH GAS headquarters. He was previously operational research manager.

*

On reaching retirement age Lord Erroll of Hale has relinquished his role as chairman of FLAKT. He has been succeeded by Mr Alex Masters who is chairman of Combustion Developments and a director of the Imperial Continental Gas Association, The 600 Group and Syltone. Mr Robert Fulton has been appointed chairman of the Flakt Offshore Group and a member of the board of Flakt Marine AB (Sweden). He will become deputy managing director of Flakt on January 1 upon the appointment of Mr Hans Forslof as managing director. Mr Forslof is managing director of Flakt SA de CV in Mexico.

*

CLYDE CABLEVISION has appointed Mr James Deegan as its operations director. Me Deegan joins the company from Telefusion where he was regional manager for Scotland.

*

Dr François-Xavier Ortoli, chairman of the state-owned Total Compagnie Française des Pétroles and former president of the European Commission, has been appointed an advisory director of UNILEVER.

*

Mr Keith Johnson has been appointed marketing director of URM (UNITED KINGDOM). He was previously marketing manager. Mr Chris Searle relinquishes his responsibility for the UK in order to take up the role of marketing director of URM (International).

*

Mr Henry Won has been appointed managing director of the newly formed KREST ELECTRONICS. Mr Won comes from Toho Ireland, the European manufacturing organisation of Unisef/Crown, where he still retains his position as managing director.

*

THE BRITISH BOARD OF AGREMENT has appointed Mr Alan G. Thomas to its board as sales and marketing manager. He joins the BBA from Wavin Building Products where he held the position of marketing manager.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	64.3	68.4	+0.2	3.14
Accum Units	95.0	101.3	+0.3	3.14
Pearl Inc.	91.5	97.3	+0.6	5.06
Pearl Unit Tst.	95.0	101.1	+0.5	4.16
(Accum. Units)	160.6	170.9	+0.8	4.16

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	186.0	199.4	—	1.54
Income	141.7	151.8	—	5.40
Worldwide Recovery	105.2	112.9	—	2.02
American Growth	56.7	60.9	+1.0	0.66
Intl. Emerging Cos.	59.4	63.8	+0.7	0.70
Far East Growth Fd.	46.2	49.6	+0.5	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	100.0	107.1	+2.9	0.29
Prolific Extra Inc.	61.4	67.4	+0.5	5.97
Prolific Gilt Cap.	82.5	85.8	-0.3	3.21
Prolific High Inc.	134.6	143.2	+1.1	5.28
Prolific Intl.	83.1	89.0	+1.0	1.70
Prolific N. Amer.	115.9	124.2	+1.9	2.28
Prolific Spec. Sits	143.2	152.3	+0.1	1.67
Prolific Technology	98.7	105.8	+0.8	0.95

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	49.3	52.2	+0.9	—
Worldwide	48.2	51.1	+0.7	1.98
European Trust	32.1	34.1	+0.6	2.24
North American	49.5	52.4	+1.4	2.97
UK Equity	58.9	33.9	+0.2	3.99

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432-3

TSB American	93.0	99.0	+2.3	1.54
Do. Accum.	96.8	103.9	+2.3	1.54
TSB Extra Income	94.1	99.5	+0.4	6.32
Do. Accum.	96.7	102.9	+0.5	6.32
TSB General	127.4	129.1	+0.3	3.36
Do. Accum.	196.7	209.2	+1.0	3.36
TSB Gilt & Fxd Int.	47.2	49.2	-0.1	9.42
Do. Accum.	58.0	60.5	-0.1	9.42
TSB Income	168.4	179.2	+1.4	4.93
Do. Accum.	253.9	270.2	+2.1	4.93
TSB Pacific	100.1	106.5	+1.6	0.75
Do. Accum.	102.6	109.2	+1.6	0.75
TSB International	228.5	242.9	+4.0	2.00
Do. Accum.	277.9	295.7	+5.0	2.00
TSB Natural Resources	44.9	47.8	—	2.06
Do. Accum.	45.3	48.2	-0.1	2.06
TSB Spcl. Opps.	47.0	50.1	-0.3	2.46
Do. Accum.	51.2	54.5	+0.3	2.46

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Funds	71.0	71.7	+0.4	0.10

Target Trust Mngrs. Ltd. (a)(c)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	65.6	70.2	+2.4	0.27
Australia	28.5	30.6	-0.4	0.10
Commodity	8.9	1.7	+0.5	2.04
Energy	41.5	44.4	+0.4	0.51
Equity	101.6	108.4	+0.5	3.76
European Spec. Sits.	55.7	59.4	+1.1	0.61
Extra Income	91.6	98.0	+0.6	8.30
Financial	206.9	220.7	-0.4	8
Gilt Capital	222.9	230.4	-0.2	3.25
Gilt Income	100.0	104.7	-0.7	8.67
Gold Income	61.0	65.2	-0.3	1.80
Gold Acc.	110.5	118.0	-0.3	1.80
Income	60.7	65.3	[illegible]	4.76

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.43		+0.02	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$13.12		+0.02	—

Inv. Adv.: M. & G. Inv. Mngt. Ltd. London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Aquamond Tech	$9.11		+0.04	—
Dynamic Gwth Fd.	$8.16		+0.03	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB. 01-588 1815				
Deposit	11.40		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.16	8.34	12.57	6-mth
7-day Fnd	11.60	8.67	12.87	6-mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.35	8.47	12.47	6-Mth
7-day Fund	11.58	8.64	12.74	6-Mth
Dollar	6.42		—	6-Mth
Money Mngt. Acct	11.00	8.22	12.27	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Chr Acc	11.25	8.00	11.95	Qtr
Allied Home 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.25	8.41	12.58	Qtr
Mth. Int. Chq.	11.125	8.32	12.56	Mth
Bank of Scotland				

[illegible]

	Gross	Net	Gr Equiv CAR	Int Cr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	11.00	8.22	12.40	Mth
Over £10,000	11.25	8.41	12.70	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc	11.81	8.83	13.04	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Marks & Spencer	11
BAT	32	Midland Bk.	30
BOC Grp.	25	NEI	8
BSR	16	Nat West Bk.	60
BTR	52	P & O Dfd	36
Babcock	14	Plessey	17
Barclays	48	Polly Peck	26
Beecham	32	Racal Elect.	18
Blue Circle	45	RHM	11
Boots	15	Rank Org Ord	32
Bowaters	20	Reed Intnl	50
Brit Aerospace	33	Sears	8
Brit. Telecom	11	TI	20
Brown (J.)	3	Tesco	20
Burton Ord	39	Thorn EMI	35
Cadburys	14	Trust Houses	19
Charter Cons.	18	Turner Newall	16
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
FNFC	8½	Cap Counties	18
Gen Accident	45	Land Secs	25
Gen Electric	17	MEPC	28
Glaxo	85	Peachey	22
Grand Met.	25	Samuel Props	14
GUS 'A'	60	**Oils**	
Guardian	60	Brist. Oil & Min.	4
GKN	17	Brit Petroleum	42
Hanson Tst.	17½	Burmah Oil	18
Hawker Sidd.	38	Charterhall	6
ICI	60	Premier	5
'Imps'	18	Shell	60
Jaguar	28	Tricentrol	18
Ladbroke	24	Ultramar	19
Legal & Gen	50	**Mines**	
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

WORLD STOCK MARKETS

Indices

NEW YORK-DOW JONES

	Sept 6	Sept 5	Sept 4	Sept 3	Sept 2	Aug 30	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,335.69	1,325.83	1,328.72	1,329.19	closed	1,334.01	1359.54 (19/7)	1184.96 (4/1)	1359.54 (19/7/85)	41.22 (2/7/32)
Transport	677.55	672.52	679.66	686.58	closed	690.86	702.8 (17/7)	553.93 (4/1)	702.80 (17/7/85)	12.32 (8/7/32)
Utilities	159.16	159.37	159.06	158.85	closed	159.67	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading vol	95.4m	94.4m	85.5m	81.2m	closed	81.0m	–	–	–	–

	Aug 30	Aug 23	Aug 16	Year Ago (Approx)
Ind Div Yield %	4.61	4.66	4.68	4.76

STANDARD AND POORS

	Sept 6	Sept 5	Sept 4	Sept 3	Sept 2	Aug 30	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	209.41	208.14	208.14	208.82	closed	209.69	215.83 (18/7)	181.24 (4/1)	215.83 (15/7/85)	3.62 (30/6/32)
Composite	188.24	187.27	187.27	187.91	closed	188.63	195.65 (17/7)	163.68 (4/1)	195.65 (17/7/85)	4.40 (1/6/32)

	Aug 28	Aug 21	Aug 14	Year Ago (Approx)
Ind div yield %	3.72	3.72	3.75	3.91
Ind. P/E Ratio	11.88	11.9	11.78	11.83
Long Gov Bond Yield	10.39	10.39	10.63	12.64

N.Y.S.E. ALL COMMON

Sept 6	Sept 5	Sept 4	Sept 3	1985 High	1985 Low
108.85	108.81*	108.81	108.81	113.49 (17/7)	94.68 (4/1)

RISES AND FALLS

	Sept 6	Sept 5	Sept 4
Issues traded	1,959	1,982	2,007
Rises	653	852	576
Falls	810	783	881
Unchanged	496	527	550

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Beatrice Co.	1,798,900	33⅞	+⅛	Gen. Devel.	1,294,900	13⅞	—
Revlon	1,673,800	43	−⅞	Kansas Gas El.	1,228,100	15	+⅛
Chemical NY	1,618,700	39¾	+⅞	Iowa Ele.	1,221,600	20⅛	−1⅛
Uncol	1,404,100	29⅞	−¾	Oak Industs.	1,173,200	1⅞	—
Richardson	*1,363,300*	*40*	*+3½*	*Union Carbide*	*1,101,200*	*55⅝*	*+1⅞*

TORONTO

	Sept 6	Sept 5	Sept 4	Sept 3	1985 High	1985 Low
Metals & Minls	2,049.59	2,043.4	2,057.19	2,056.8	2190.7 (13/2)	1888.9 (4/1)
Composite	2,791.86	2,789.3	2,794.86	2,806.8	2819.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	135.78	135.75	136.08	136.48	138.33 (19/7)	117.88 (4/1)

* Indicates pre-close figure

	Sept. 6	Sept. 5	Sept. 4	Sept. 3	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	543.4	538.6	534.5	537.3	568.9 (15/8)	475.3 (7/1)
Metals & Minls. (1/1/80)	525.2	524.0	521.2	525.4	585.9 (20/6)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	99.37	99.47	98.75	100.24	105.75 (17/6)	85.21 (2/1)
BELGIUM						
Brussels SE (1/1/80)	2430.12	2419.72	2408.41	2399.23	2430.12 (6/9)	2080.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	—	(u)	216.85	(u)	217.86 (6/8)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	229.0	225.1	225.1	225.0	235.1 (31/5)	186.8 (3/1)
Ind Tendance (28/12/84)	125.7	125.4	128.9	126.5	130.4 (31/5)	100.1 (6/1)
GERMANY						
FAZ Aktien (31/12/58)	510.9	502.65	497.32	501.62	510.9 (6/9)	382.33 (3/1)
Commerzbank (1/12/53)	1499.7	1475.5	1460.0	1475.8	1499.7 (6/9)	1111.0 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1575.08	1596.68	1578.54	1586.22	1711.51 (19/8)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	579.88	578.82	575.34	575.38	579.88 (6/9)	228.56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12453.35	12491.8	12598.6	12651.0	13048.1 (8/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1001.72	1002.78	1005.0	1012.56	1057.55 (10/7)	916.55 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	221.7	221.1	221.5	225.0	225.0 (6/9)	185.6 (3/1)
ANP-CBS Indust (1970)	193.7	193.6	193.5	194.1	194.1 (6/9)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	347.69	351.06	352.05	355.07	365.50 (25/6)	298.18 (2/1)
SINGAPORE						
Straits Times (1966)	753.86	753.68	750.12	751.86	852.65 (7/6)	717.89 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1007.2	994.0	981.1	1140.3 (15/4)	823.5 (5/8)
JSE Indust (28/9/78)	—	941.4	948.1	948.6	1056.8 (19/7)	782.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	119.46	118.61	118.98	118.78	127.41 (4/2)	101.49 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1419.38	1396.24	1376.58	1374.29	1488.88 (11/2)	1286.32 (8/7)
SWITZERLAND						
SwissBankCpn (31/12/58)	482.8	477.9	478.2	481.2	495.9 (2/8)	396.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	217.9	217.2	218.8	224.5 (17/7)	184.6 (4/1)

** Saturday August 31: Japan Nikkei-Dow 12,716.52. TSE 1,017.58.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 27

CANADA

TORONTO

Closing prices September 6

MONTREAL

Closing prices September 6

Sales	Stock	High	Low	Close	Chng
18436	Bank Mont	$31⅜	31	31⅛	
24585	BombrdrA	$15¼	15¼	15¼	+¼
5825	BombrdrB	$14⅞	14⅝	14⅞	
2975	CB Pak	$21⅞	21⅝	21¾	−¼
13656	Cascades	$19⅞	19¾	19⅞	+⅛
22792	ConBath	$17⅛	16¾	16¾	−⅜
1874	DomTxtA	$11⅜	11⅜	11⅜	
11837	Gaz Metro	$11⅞	11¾	11⅞	+⅛
21623	NatBk Cda	$22⅝	22⅝	22⅝	
9678	Power Corp	$18	17¾	18	
18005	Royal Bank	$32⅜	32	32⅛	+⅛
1459	SteinbrgA	$25½	25½	25½	

FRANCE

1985 High	1985 Low	Sept. 6	Price Frs.
1,775	1,670	Emprunt 4½% 1973	1,800
8,889.9	7,365	Emprunt 7% 1973	8,482
500	256.2	Accor	271
720	546	Air Liquide	694
605	487	BIC	590
2,070	1,595	Bongrain	1,650
860	602	Bouygues	750
2,680	2,060	BSN Gervais	2,240
1,370	1,160	CIT Alcatel	1,165
2,540	1,790	Carrefour	2,255
635	503	Club Mediter	607
678	470.9	Cie Bancaire	649
303	239.5	Cofimeg	289
2,448	1,800	Damart	1,958
1,675	1,028	Darty	1,425
854	580	Dumez S.A.	829
750	529	Eaux (Cie Gen)	650
250	184.1	Elf-Aquitaine	201
3,150	2,065	Essilor	2,299
792	712	Gen.Occidentale	748
134	72.5	Imetal	86.9
583	361	Lafarge-Coppee	524
2,780	2,221	L'Oreal	2,352
2,395	1,850	Legrand	2,157
265.4	146.5	Maisons Phenix	148
1,980	1,556	Matra S.A.	1,660
1,235	735	Michelin B	1,184
3,175	2,079	Midi (Cie)	3,075
2,040	1,798	Moet-Hennessy	1,964
115.5	76.8	Moulinex	76.8
98.7	72.2	Nord Est	97.2
806	665	Pernod Ricard	723
563	455	Perrier	494
277.5	206	Petroles Fra	250.2
420	240	Peugeot S.A.	407
307	177.5	Printemps (Au.)	296
334	212	Radiotech	309
1,579	119.2	Redoute	1,521
1,790	1,410	Roussel-Uclaf	1,510
379	281	Sefimeg	350
1741.7	1,330	Skis Rossignol	1,464
2,760	2,200	Telemec Elect	2,640
590	410	Thomson (CSF)	558
260.5	206	Valeo	248

GERMANY

1985 High	1985 Low	Sept. 6	Price Dm
146.2	100.5	AEG-Telef	140.5
1,565	861	Allianz Vers	1,498
239.5	176.8	BASF	225.3
239.5	185	Bayer	222.5
376	309.5	Bayern Hypo	378
430	316.2	Bayern-Verein	388
355	261	BHF-Bank	314
495	351	BMW	416
264	187.5	Brown Boverie	264
214.4	162.1	Commerzbank	207
164.1	114.5	Conti Gummi	157.5
1,001	593.5	Daimler-Benz	995
386.5	338	Degussa	372
178	150	D'sche Babcock	177
597.8	383.5	Deutsche Bank	577
284.5	178.8	Dresdner Bank	267
192.5	147	GHH	192.5
796.5	460	Hochtief	780
245	182.5	Hoechst	220.4
125.5	97.5	Hoesch Werke	124.8
499	380	Holzmann (P)	494 xd
195	163	Horten	195
387	72	Hussel	375
268.9	206	Karstadt	263.5
295.9	205.5	Kaufhof	290.2
298	247	KHD	294
82.8	59	Kloeckner	72
549	361	Linde	549
418.6	180	Lufthansa	228
182	143.5	MAN	182
217	149.7	Mannesmann	217
908	509	Mercedes Hld	908
292	217.5	Metallgesell	279
1,990	1,062	Muench Rueck	1,920
605	507.5	Nixdorf	548.5
1,625	1,025	Porsche	1,350
306	240	Preussag	280
195	150	Rhein West Elect	197.2
275	238	Rosenthal	275
510.5	439.5	Schering	485
585	478.4	Siemens	560
130.5	81.4	Thyssen	130.3
245	174	Varta	241
242.5	165.7	Veba	236
151	122	V.E.W.	160.5
346	300	Verein-West	335
335	189	Volkswagen	333.8

NORWAY

1985 High	1985 Low	Sept. 6	Price Kroner
172.5	124	Bergens Bank	145
444	335	Borregaard	417.5
171	134	*Christiania Bk*	140.5
171	134.5	Den Norsk Credit	143.5
155	116.5	Elkem	119.5
257	178.0	Kosmos	215
211	155	Kvaerner	160
387.5	302	Norsk Data	376
118.5	95	Norsk Hydro	107
289	217.5	Storebrand	262.5

SPAIN

1985 High	1985 Low	Sept. 6	Price Pta %
355	305	Bco Bilbao	346
331	305	Bco Central	316
220	192	Bco Exterior	202
177	143	Bco Hispano	144
399	330	Bco Popular	331
364	327	Bco Santander	348
465	399	Bco Vizcaya	444
185.5	129.5	Dragados	131.5
94	73.5	Hidrola	76
109.5	81.2	Iberduero	92.5
185	125.5	Petroleos	130.7
135.7	94.5	Telefonica	115.2

ITALY

1985 High	1985 Low	Sept. 6	Price Lire
24,500	18,400	Banca Com'le	23,600
276	165	Bastogi IRBS	271
9,200	3,350	Bi-Invest	5,800
3,630	2,169	Centrale	3,345
4,500	3,575	Credito Varesino	4,520
4,300	2,065	Fiat	4,300
103	45	Finsider	—
59,800	34,450	Generali (Assc.)	59,800
53,000	24,820	Italcementi	47,000
90	522	La Rinascente	885
2,299	1,340	Montedison	2,270
7,060	5,862	Olivetti	7,000
6,520	3,460	Pirelli Co	6,010
3,115	1,925	Pirelli Spa	3,059
6,300	4,320	Saipem	6,150
3,571	2,103	Snia BPD	3,534
19,310	12,420	Toro Assic	19,310
14,940	9,475	do. Pref	14,790

NETHERLANDS

1985 High	1985 Low	Sept. 6	Price Fls
250	188.5	ACF Holding	237
101.3	78	AEGON	98.8
244.2	194	Ahold	244.2
127	100.5	AKZO	127
622	359	ABN	507.5xr
300	210.8	AMEV	300
90.1	66.6	AMRO	87.6
179	146.5	Bredero Cert	173
22.5	12.8	Bos Kalis Westm.	14.9
114	75.5	Buehrmann-Tet.	103
38.7	31.8	Calland Hldgs	31.8
191.5	159	Dordtsche Pet'm	183
138.5	117.5	Elsevier-NDU nv	128.5
88.5	43.1	Fokker	81.2
219	175.5	Gist-Brocades	219
160.4	146.1	Heineken	148.9
70.4	57.2	Hoogovens	62.8
63.5	41.5	Int-Mueller	63.4
64	47.3	KLM	67.7
48	43	Naarden	48
78.2	63.6	Nat Ned Cert	75
217.5	148	Ned Mid Bank	213.7
189	152.9	Nedlloyd	189
355.5	288.5	Oce Grinten	355.5
31.8	27.3	Ommeren (Van)	27.9
75	59.7	Pakhoed	66
63.7	45.3	Philips	60.4
77.5	69.6	Robeco	77
141.1	131.3	Rodamco	135
71.1	62.8	Rolinco	69.8
46.5	43.3	Rorento	46.7
210.8	172.5	Royal Dutch	198.5
365	314	Unilever	339.5
263.5	142	VMF Stork	240
227.5	195.2	VNU	227.5
188.0	154.5	Wessanen	179.5
125	94	West Utr Bank	96.5

SWEDEN

1985 High	1985 Low	Sept. 6	Price Kroner
140	106	AGA	133
208	174	Alfa-Laval B	206
360	285	ASEA (Free)	300
465	335	Astra (Free)	435
180	97	Atlas Copco	121
295	227	Cardo (Free)	243
139	113	Cellulosa	135
329	245	Electrolux B	285
310	220	Ericsson B	241
410	293	Esselte	365
185	149	Mo Och Domsjo	175
225	171	Pharmacia	178
460	327	Saab Scania Free	465
445	315	Sandvik	445
362	257	Skandia	362
57	42	Skan Enskilda	55.5
233	169	SKF	230
171	130	St. Kopparbergs	152
180	131	Sonesson	154
202	140	Sven Handelsbn.	180
271	180	Swedish Match	197
303	215	Volvo B (Free)	242

BELGIUM/LUXEMBOURG

1985 High	1985 Low	Sept. 6	Price Frs.
2,060	1,750	B.B.L.	2,050
7,200	5,750	Banq. Gen Lux	7,200
7,000	5,450	Banq. Int. A. Lux	7,000
6,540	4,380	Bekaert B	6,300
2,710	2,260	Ciment CBR	2,550
287	204	Cockerill	214
9,500	6,630	Delhaize	8,100
3,140	2,770	EBES	3,030
9,150	8,000	Electrobel	9,110
2,220	1,865	Fabrique Nat.	1,985
4,300	2,855	GB Inno BM	4,220
2,205	1,835	GBL (Brux)	1,950
4,330	3,575	Gevaert	4,050
6,190	5,200	Hoboken	5,900
2,350	2,025	Intercom	2,295
9,150	7,690	Kredietbank	9,140
11,900	9,700	Pan Hldgs	10,100
7,250	5,560	Petrofina	6,090
13,000	10,850	Royale Belge	13,000
3,600	3,030	Soc. Gen. Banq	3,590
2,090	1,615	Soc. Gen. Belge	1,985
8,010	6,770	Sofina	7,500
5,110	3,825	Solvay	5,110
1,650	1,300	Stanwick Intl	1,300
4,360	3,665	Tractionel	4,160
5,550	4,500	UCB	5,250
3,715	2,005	Wagon Lits	3,030

SWITZERLAND

1985 High	1985 Low	Sept. 6	Price Frs.
4,105	2,230	Adia Intl	4,050
920	721	Ausuisse	755
3,940	3,555	Bank Leu	3,820
1,850	1,380	Brown Boveri	1,770
3,625	2,470	Ciba-Geigy	3,390
2,830	2,030	do. (Part Certs)	2,590
3,085	2,525	Credit Suisse	3,010
3,455	2,610	Electrowatt	3,390
980	605	Fischer (Geo)	960
97,375	83,500	Hoff-RochePtCts	97,250
9,725	8,275	Hoff-Roche 1/10	9,725
6,950	5,535	Jacobs Suchard	6,350
2,900	1,890	Jelmoli	2,750
2,130	1,570	Landis & Gyr	2,130
7,425	5,600	Nestle	7,425
1,640	1,290	Oer-Buehrle	1,620
387	259	Pirelli	380
9,100	7,000	Sandoz (Br)	8,550
1,500	1,140	Sandoz (Pt Cts)	1,450
940	630	Schindler (PtCts)	925
1,600	1,000	Sika	1,600
5,690	3,785	Surveillance A	5,600
1,475	1,048	Swissair	1,425
485	355	Swiss Bank	472
13,500	8,375	Swiss Reinsce	12,850
6,520	1,430	Swiss Volksbk	1,895
4,390	3,580	Union Bank	4,285
4,760	3,310	Winterthur	4,625
5,800	5,410	Zurich Ins	5,560

AUSTRIA

1985 High	1985 Low	Sept. 6	Price Sch %
391	225	Credit'stalt Pfd	375
555	330	Goesser	510
1,950	400	Interunfall	1,625
383	222	Laenderbank	359
670	335	Perlmooser	623
220	155	Steyer-Daimler	170
620	245	Veitscher Mag	568

DENMARK

1985 High	1985 Low	Sept. 6	Price Knr. %
344	257	Andelsbanken	324
735	520	Baltic Skand	665
342	259	CopHandelsbank	295
575	460	D. Sukkerfab	510
376	250	Danske Bank	344
1,415	1,055	De Danske Luft	1,415
270	129	East Asiatic	251
1,000	770	Forenede Brygg.	1,000
227	88	Forenede Damp.	227
529	325	GNT Hldg	515
585	340	I.S.S.B.	585
795	464	Jyske Bank	695
1,895	1,245	Novo Inds	1,375
344	307	Privatbanken	308
401	280	Provinsbanken	399
293	217	Smidth (F.L) B.	271
1,160	880	Sophus Berend.	1,100
530	353	Superfos	399

AUSTRALIA

1985 High	1985 Low	Sept. 6	Price Aust. $
5.93	4.53	ANZ Group	4.70
1.15	1.01	Alliance Oil Dev.	1.05
2.25	1.75	Ampol Pet	2.15
1.22	0.75	Ashton	1.18
2.9	1.88	Aust. Cons. Ind.	2.80
3.4	2.3	Aust. Guarantee.	3.8
3.0	2.88	Aust. Nat. Inds.	2.60
3.00	2.4	APM	2.80
8.5	4.7	Bell Group	8.5
7.8	4.25	Bell Res	7.8
1.82	1.16	Bond Corp Hldgs	1.80
3.68	3.26	Boral	3.68
2.49	1.51	Bougainville	1.79
4.05	3.45	Brambles Ind	3.95
2.65	2.05	Bridge Oil	2.42
7.64	4.34	B. H. Prop	7.08
6.4	4.28	CRA	5.50
3.25	2.64	CSR	3.05
8.25	4.28	Castlemaine Tys.	8.0
4.25	3.60	Coles (C.J.)	4.26
2.88	1.80	Comalco "A"	1.82
0.45	0.29	Consolidated Pet	0.35
2.05	1.25	Costain Aust.	2.00
2.70	1.86	Dunlop Olympic.	2.48
3.53	2.85	Elders IXL	3.15
1.80	1.50	Energy Res	1.65
3.23	2.25	Gen. Prop. Trust	2.27
3.24	2.33	Hardie (James)	3.13
2.6	1.59	Hartogen Energy	2.28
4.90	3.4	Herald W'yTimes	4.5
2.22	1.84	ICI Aust	2.10
0.39	0.22	Jimberlana F.P.	0.29
0.19	0.1	Kiaora Gold	0.15
7.34	5.1	Lend Lease	6.65
3.45	2.23	MIM	2.58
3.36	2.82	Mayne Nikless	3.05
3.6	1.65	Myer Emporium.	3.60
4.79	3.40	Nat. Aust. Bank	4.78
8.7	5.25	News	6.80
2.1	1.29	Nicholas Kiwi	2.0
2.82	1.90	North Bkn Hill	2.56
1.28	0.65	Oakbridge	1.22
2.15	0.90	Pancontinental	2.15
2.06	1.56	Pioneer Conc	1.94
4.8	2.55	Poseidon	4.45
1.80	*1.07*	*Queensland Coal*	1.55
3.85	3.0	Reckitt & Colman	3.70
1.44	1.08	Repco	1.42
6.65	5.04	Santos	6.38
6.3	3.35	Smith (Howard)	5.74
2.9	1.71	Thos. Natwide	2.25
6.1	5.60	Tooth	5.66
4.6	3.05	Vamgas	3.35
4.44	2.62	Western Mining	3.84
4.9	3.55	Westpac Bank	4.48
1.61	0.77	Woodside Petrol	1.3
3.58	2.55	Woolworths	3.26
4.00	3.12	Wormald Intl	3.96

SINGAPORE

1985 High	1985 Low	Sept. 6	Price $
1.86	1.29	Boustead Hldgs.	1.52
2.84	2.34	Cold Storage	2.63
6.4	4.76	DBS	4.98
6.5	4.7	Genting	5.75
2.59	1.88	Haw Par. Bros	2.07
3.32	2.30	Hong Leong Fin.	2.39
2.74	2.15	Inchcape Bhd.	2.15
1.9	1.14	Keppel Shipyard	1.16
6.45	5.25	Malay Banking	5.5
2.6	*2.11*	*Malay Utd. Ind.*	*2.4*
1.05	0.76	Multi purpose	0.66
9.55	7.85	OCBC	8.2
4.36	2.59	OUB	2.68
1.78	1.30	Public Bank	1.41
2.16	1.65	Sime Darby	1.73
6.85	5.40	Singapore Press	5.5
3.79	2.96	Straits Trading	3.02xc
2.93	2.37	Tate Lee Bk	2.39
4.66	3.32	UOB	3.38

SOUTH AFRICA

1985 High	1985 Low	Sept. 6	Price Rand
1.95	1.15	Abercom	1.7
8.4	6.55	AE & CI	8.00
70.25	46.0	Allied Tech	62.5
60	39	Anglo Am Coal	59
31.5	22	Anglo Am Corp	31.5
193	151	Anglo Am. Gold	193
21	13.65	Barclays Bank	17.85
12.7	9.6	Barlow Rand	11.4
89	60	Buffels	77.5
3.4	1.9	CNA Gallo	2.3
4.5	3.1	Currie Finance	4.00
12.48	8.07	De Beers	12.48
56	40.25	Driefontein	53
59	39	FS Geduld	50.25
37.5	22.75	Gold Fields S.A.	35
5.4	3.6	Highveld Steel	5.4
16.80	8.77	Nedbank	13
15.65	12.5	OK Bazaars	12.25
2.6	1	Protea Hlgs	2.35
42.5	29	Rembrandt	42
18.4	14.75	Rust Plat	18.4
16.90	11.75	Safren	13.25
21.26	6.1	Sage Hldgs	9.5
9.0	5.8	SA Brews	7.45
29.75	19	Smith (C.G.)	22.75
7.45	5.4	Tongaat Huletts.	6.55
5.9	1.15	Unisec	5.05

HONG KONG

1985 High	1985 Low	Sept. 6	Price H.K.$
27.9	21.4	Bank East Asia	22.7
19.4	10.6	Cheung Kong	17.8
16.5	12.3	China Light	15.0
1.6	0.81	Evergo	0.9
54	43.5	Hang Seng Bank	44.25
2.42	1.56	Henderson Land	2.2
11.5	5.40	HK China Gas	9.70
9.00	6.65	HK Electric	8.00
7.4	5.15	HK Kowloon Wh.	6.40
6.65	5.82	HK Land	6.10
8.5	7.30	HK Shanghai Bk.	7.35
10.1	4.97	HK Telephone	8.5
29.3	18.5	Hutchison Wpa	26.3
1.0	0.65	Intnl. City	0.89
13.8	8.05	Jardine Math	12.0
7.9	5.1	New World Dev	7.4
2.75	1.95	Orient O'seas	1.99
13.9	7.9	SHK Props	12.6
2.06	1.05	Shell Elect	1.3
26.3	20.3	Swire Pac A	25.1
8.1	5.1	TV-B	6.30
2.7	1.55	World Int. H'ldgs	2.10

JAPAN

1985 High	1985 Low	Sept. 6	Price Yen
1,570	1,040	Ajinomoto	1,230
2,097	1,190	Alps Electric	1,170
1,134	745	Amada	769
1,100	681	Asahi Chem	793
928	769	Asahi Glass	769
576	500	Bridgestone	531
1,480	880	Canon	906
2,060	1,350	Casio Comp	1,550
1,250	910	Chugai Pharm	930
596	392	Citizen	394
754	605	Daiei	667
1,190	925	Dai Nippon Ptg	1,050
667	532	Daiwa House	610
494	329	Ebara	472
2,002	1,183	Eisai	1,280
9,300	7,050	Fanuc	7,700
1,840	1,290	Fuji Bank	1,590
2,040	1,550	Fuji Film	1,920
1,320	821	Fujisawa	878
1,260	865	Fujitsu	869
3,450	1,600	Green Cross	2,110
564	352	Hasegawa	507
973	577	Heiwa Real Est	780
893	645	Hitachi	651
1,210	1,020	Hitachi Credit	1,040
1,550	1,210	Honda	1,330
809	680	House Food	795
2,460	1,520	Hoya	1,730
468	323	Itoh (C)	436
2,830	2,270	Ito-Yokado	2,790
1,480	775	Iwatsu	775
370	315	JACCS	345
8,080	4,860	JAL	5,550
880	660	Jusco	869
489	269	Kajima	463
872	724	Kao Soap	846
765	586	Kashiyama	720
745	548	Kirin	721
1,120	870	Kokuyo	1070
599	433	Komatsu	552
748	601	Konishiroku	661
418	318	Kubota	390
838	610	Kumagai	815
7,100	3,420	Kyocera	3,450
944	455	Maeda Const	872
1,460	825	Makino Milling	859
1,280	900	Makita	985
410	300	Marubeni	382
738	540	Marudai	739
1,450	952	Marui	1,430
1,690	1,190	MEI	1,200
878	625	M'ta Elec. Works	850
1,790	1,320	M'bishi Bank	1,500
709	512	M'bishi Corp	619
410	335	M'bishi Elect	335
983	539	M'bishi Estate	931
406	234	MHI	390
453	384	Mitsui Co	418
1,000	592	Mitsui Estate	910
710	385	Mitsukoshi	694
936	680	NGK Insulators	835
375	210	Nihon Cement	332
1,480	1,190	Nippon Denso	1,200
1,250	900	Nippon Elect	900
535	322	Nippon Express	524
2,400	1,040	Nippon Gakki	1,200
157	130	Nippon Kokan	148
999	752	Nippon Oil	780
693	450	Nippon Seiko	452
698	520	Nippon Shimpan	675
181	143	Nippon Steel	170
424	325	Nippon Suisan	406
12,900	9,360	NTV	9,670
352	286	Nippon Yusen	299
665	602	Nissan Motor	620
548	452	Nisshin Flour	485
184	156	Nisshin Steel	167
1,390	885	Nomura	1,190
1,430	890	Olympus	905
3,540	2,480	Orient Leasing	2,500
3,270	1,680	Pioneer	1,700
815	602	Renown	748
977	791	Ricoh	813
1,400	960	Sankyo	1,150
498	386	Sanyo Elect	390
562	399	Sapporo	526
903	535	Sekisui Prefab.	871
9,440	8,100	Seven Eleven	8,350
1,180	770	Sharp	786
789	600	Shimadzu	689
930	642	Shionogi	760
1,220	1,050	Shiseido	1,110
5,020	3,410	Sony	3,540
1,070	680	Stanley	700
2,080	1,600	Sumitomo Bank	1,780
957	661	S'tomo Elect	690
813	548	S'tomo Marine	695
162	143	S'tomo Metal	152
650	450	Taisei Dengyo	585
363	195	*Taisei Corp*	342
1,440	940	Taisho Pharm	1,260
948	735	Takeda	882
6,660	3,660	TDK	3,930
503	420	Teijin	483
810	621	Teikoku	632
1,050	700	Tokio Marine	877
940	761	TBS	875
2,250	1,440	Tokyo Elect.Pwr	2,030
244	160	Tokyo Gas	229
770	610	Tokyo Sanyo	653
1,130	694	Tokyo Style	1,100
545	301	Tokyu Corp	510
900	786	Toppan Print	785
565	426	Toray	519
435	330	Toshiba Elect	334
902	625	TOTO	852
1,350	807	Toyo Seikan	1,290
1,380	1,120	Toyota Motor	1,130
3,440	1,260	Victor	1,350
753	677	Wacoal	718
835	660	Yamaha	660
4,360	2,600	Yamanouchi	3,150
867	610	Yamazaki	882
689	351	Yasuda Fire	660
845	410	Yokogawa Bdge.	693

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Closing prices, September 6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 27

NYSE COMPOSITE CLOSING PRICES

Continued from Page 26

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
55	34	Phelp pr	5	9.7		42	52	51½	51½	−½
46¾	28	PhibrS	.54	1.4	20	9053	38⅝	37⅝	38⅛	+⅛
16⅝	11⅝	PhilaEl	2.20	15.	5	6245	14¾	14⅜	14½	−¼
32	23½	PhilE	pf3.80	13.		z400	31½	30	30	−1¾
69	52¼	PhilE	pf8.75	13.		z350	66½	66	66	−2
11½	9¼	PhilE	pf1.41	13.		62	10⅞	10¾	10¾	
10⅞	7⅞	PhilE	pf1.33	13.		101	10⅜	10⅛	10¼	
61	46	PhilE	pf7.85	13.		z900	60½	60	60½	+½
10⅜	7¾	PhilE	pf1.28	13.		88	9⅞	9¾	9⅞	+⅛
126	103	Phil	pf 17.13	14.		120	122	121⅛	122	−⅜
115	91	PhilE	pf15.25	13.		200	u115¾	115	115¾	+¾
74	54½	PhilE	pf9.50	13.		z100	72	72	72	+1
61	47¼	PhilE	pf7.80	13.		z320	59¼	58½	58½	−¾
60	46½	PhilE	pf7.75	13.		z100	59	59	59	
23¼	16¼	PhilSub	1.32	6.2	13	11	21⅛	21⅛	21⅛	
85⅛	73⅞	PhilMr	4	4.9	10	5801	81⅞	81⅜	81¾	+½
26¾	13¾	Phlpin	.60	2.3	14	277	25¾	25½	25⅝	+⅛
16¾	11¼	PhilPt s	1	8.2	8	2928	12⅜	12⅛	12¼	
24¾	22¾	PhlPt	pf1.04e	4.3		1296	24⅜	24⅛	24¼	
28½	20⅜	PhilVH	.40	1.6	12	48	25⅛	25	25	+¼
35⅜	23¾	PiedA s	.28	.9	9	647	30⅜	30	30⅜	+¼
34	25¾	PieNG	2.32	7.5	11	14	31¼	31⅛	31⅛	−⅛
25¼	14⅜	Pier 1			16	65	23¾	23¼	23¾	+⅛
56⅝	38⅜	Pilsbry	1.56	3.0	12	988	53⅛	52¼	52⅞	+⅝
34	22¾	Pioneer	1.24	5.0	5	574	25	24½	25	+⅜
45½	29⅞	PitnyB	1.20	3.1	11	372	39⅛	38¾	39	+⅛
13⅜	8⅜	Pittstn				235	13	12¾	12⅞	
17	8⅝	PlanRs	.20	1.2	19	284	u17¼	16⅝	17¼	+⅞
11⅞	7	Plantm	.16b	1.5	13	68	10⅞	10⅝	10⅝	−⅛
13⅝	8⅝	Playboy			13	13	9½	9¼	9½	+⅛
22¾	13⅝	PogoPd	.60	4.3	32	150	14⅛	13⅞	13⅞	
33⅜	24¼	Polarld	1	3.2	121	320	31½	30¾	31½	+⅞
21	10¾	Pondrs	.40	.4	24	575	11	10⅞	11	−⅛
21½	15¼	PopTal	.80	4.3		6	18¾	18⅝	18¾	+¼
22¾	14⅝	Portec	.40	2.4	28	80	17	16¾	17	+⅛
[illegible]										
S S S										
72½	37½	SCM	2	2.7	17	8729	u73	72¼	73	+¾
12½	9⅜	SL	Ind .22	1.9	10	8	11¾	11⅝	11⅝	−⅛
32¾	19½	SPSTec	.80	2.7	14	10	30	30	30	+¼
19	15	Sabine	.04	.2	40	23	17	16⅝	17	
21⅜	16	SabnRy	2.56e	14.		269	18⅝	18⅛	18½	+⅜
20⅝	12¼	SigdBs	.30	1.7	16	32	18⅜	18⅛	18⅛	−⅛
12⅝	5⅝	SigdSc			34	76	12⅜	12	12⅜	+⅜
2⅞	1¼	SigdS	wt			133	2½	2⅜	2⅜	
38⅜	25¼	SafKln s	.40	1.1	25	x511	37	36¼	36¾	+⅛
34⅞	24⅝	Safewy	1.60	5.2	10	1591	31⅛	30⅞	31	−⅛
35	24½	Saga	.52	1.9	13	44	27⅝	27	27½	+¾
23	17	SLtoLP	1.72	8.7	7	22	20⅜	19⅞	19⅞	−½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
23	8⅞	TWA				660	22¼	22⅛	22¼	+⅛
16	12⅜	TWA	pf 2.25	15.		116	15	14⅞	15	
34½	18½	TWA	pfB2.25	6.8		114	33¾	33⅛	33¼	+⅛
32⅝	24¾	Transm	1.64	5.7	13	2898	28⅞	28½	28⅞	+⅜
21⅞	17	Traninc	2.22	11.		34	20½	20¼	20¼	
14	11	TARlty	1	8.1	82	4	12⅜	12⅜	12⅜	
21⅛	18⅜	TrnCdan	1.12	5.8	8	10	19⅜	19⅜	19⅜	+⅛
57¼	44	Transco	2.16b	4.4	10	868	49⅝	49⅜	49½	+¼

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
55½	35¼	Xerox	3	5.6	14	3358	53¼	52⅝	53⅛	+½
30¼	24⅝	ZaleCp	1.32	4.9	9	93	27⅛	27	27	
21½	7¾	Zapata	.12	1.5	55	773	8	d	7⅞	7¾
57⅜	31⅛	Zayre s	.48	.9	17	170	54	53½	53½	−⅞
27	17½	ZenithE			12	350	19⅛	18⅞	19	−⅛
21⅞	15¾	Zero s	.32	1.7	16	259	19¼	18⅞	18⅞	−¼
36	22¾	Zurnin	1.32	3.7	12	45	35¾	35⅜	35¾	+¼

AMEX COMPOSITE CLOSING PRICES

Closing prices, September 6

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, Closing prices, September 6

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 25

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar confidence grows

BY COLIN MILLHAM

Turning points are rarely clearly defined on the foreign exchanges, and it may take a week or two before a new trend becomes firmly established. This is because the market tends to go two paces forwards and one pace backwards, but by the end of last week there were certainly signs that the dollar had seen its immediate low point and was set for a much stronger phase.

The U.S. currency managed to shrug off the problems in the agricultural sector and the call for Government help for the Federal farm credit system. The general picture of the U.S. economy was much more encouraging, and the market preferred to concentrate on that.

Europe took the dollar higher on Monday after news on the previous Friday of a much smaller than expected U.S. trade deficit. The U.S. was closed for Labour Day, but on Tuesday continued to push the dollar up, despite the lack of any new factors.

After signs of a slight easing on Wednesday, the dollar found renewed strength in the latter part of the week, following a 71 per cent rise in late August U.S. car sales. The rise appears to have been largely the result of price discounting and low interest rate incentives, but will feed through into other economic data and could provide the dollar with a firmer platform.

Another important factor was the rise of $2.4bn in weekly U.S. M1 money supply. This was in line with most forecasts, but leaves the figure $12.4bn above the Federal Reserve's target range, and is likely to be a limiting factor on any possible cut in U.S. interest rates.

The U.S. unemployent rate had stood at 7.3 per cent for six consecutive months, but on Friday it was announced that the August rate fell to 7 per cent. Employment outside the farming sector rose by 288,000 in the same month, indicating that manufacturing growth may be on a moderate upturn.

Taken together these figures have boosted hopes that the flash estimate of U.S. third-quarter GNP growth, due on Friday week, will show signs of economic recovery.

On Friday the dollar finished at its highest level against the D-mark for nearly two months, and about 18 pfennigs above the year's low of only two weeks ago.

STERLING INDEX

	Sept 6	Previous
8.30 am	81.9	82.0
9.00 am	81.8	82.1
10.00 am	81.6	82.1
11.00 am	80.8	82.1
Noon	80.9	82.1
1.00 pm	80.9	82.1
2.00 pm	80.8	82.0
3.00 pm	80.7	82.1
4.00 pm	81.0	82.0

£ IN NEW YORK

	Sept. 6	Prev. close
£ Spot	$1.3275-1.3290	$1.3585-1.3595
1 month	0.42-0.41pm	0.42-0.40 pm
3 months	1.14-1.12pm	1.15-1.12 pm
12 months	2.95-2.85pm	2.95-2.85 pm

Forward premiums and discounts apply to the U.S. dollar

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.3265	1.3214	1.3142	1.3068	1.2988
D-Mark	3.8825	3.8691	3.8143	3.7577	3.6560
French Franc	11.82	11.7998	11.7839	11.8032	11.8845
Swiss Franc	3.2075	3.1878	3.1522	3.1071	3.0227
Japanese Yen	323.50	322.0	319.15	315.80	309.15

POUND SPOT—FORWARD AGAINST POUND

Sept 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3200-1.3680	1.3250-1.3260	0.43-0.40c pm	3.76	1.16-1.11 pm	3.43
Canada	1.8142-1.8693	1.8152-1.8194	0.48-0.38c pm	2.84	1.19-1.04 pm	2.45
Nethlnd.	4.33½-4.41½	4.35½-4.36½	2⅛-2⅛c pm	6.02	6⅛-6⅛ pm	5.73
Belgium	77.69-79.31	78.35-78.45	22-15c pm	2.83	47-34 pm	2.07
Denmark	14.02¼-14.22½	14.09½-14.10½	4-3ore pm	2.98	11½-10 pm	3.01
Ireland	1.2469-1.2563	1.2500-1.2510	0.33-0.17p pm	2.40	0.75-0.45 pm	1.92
W. Ger.	3.85¾-3.92½	3.87¾-3.88¾	2½-2¼pf pm	7.15	6⅞-6⅝ pm	7.02
Portugal	227-235	227¼-230¼	55-400c dis	−11.90	390-1395dis	−15.56
Spain	226¾-230¼	226¾-227½	par-50c dis	−1.32	40-150 dis	−1.67
Italy	2566½-2622	2581½-2582½	3lire pm-2 dis	−0.23	1-8 dis	−0.70
Norway	11.28-11.44½	11.30-11.31	¼ore pm-¾ dis	−0.33	1⅞-2⅞ dis	−0.82
France	11.77-11.98½	11.81½-11.82½	2⅞-1⅛c pm	2.09	4⅛-2⅞ pm	1.21
Sweden	11.32½-11.51¾	11.34-11.36	2¾-3¼ore dis	−3.44	8¾-9¾ dis	−3.09
Japan	321½-327½	323-324	1.45-1.35y pm	5.19	4.25-4.15 pm	5.19
Austria	27.19-27.59	27.19-27.29	16½-13⅞gro pm	6.44	42½-38½ pm	5.97
Switz.	3.18-3.23½	3.20¾-3.21¼	2-1⅞c pm	7.25	5⅜-5⅛ pm	6.94

Belgian rate is for convertible francs. Financial franc 78.05-78.15. Six-month forward dollar 1.90-1.85c pm. 12-month 2.95-2.80c pm.

OTHER CURRENCIES

Sept 6	£	$		£ Note Rates
Argentina Austl.	1.0592-1.0614	0.8000-0.8010	Austria	27.40-27.70
Australia Dollar	1.9365-1.9405	1.4595-1.4615	Belgium	79.40-80.20
Brazil Cruzeiro	9,334-9,368	7,050-7,070	Denmark	14.15-14.29
Finland Markka	8.1650-8.1905	6.1700-6.1720	France	11.91-12.02
Greek Drachma	184.64-188.59	136.22-139.18	Germany	3.90-3.94
Hongkong Dollar	10.3675-10.3776	7.8130-7.8150	Italy	2595-2630

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	45.0860	+0.57	+0.81	±1.5425
Danish Krone	8.12857	8.08029	−0.59	−0.35	±1.6421
German D-mark	2.23840	2.23001	−0.37	−0.13	±1.1455
French Franc	6.86402	6.80595	−0.85	−0.61	±1.3654
Dutch Guilder	2.52208	2.50776	−0.57	−0.33	±1.5162
Irish Punt	0.724578	0.716426	−1.13	−0.89	±1.6673
Italian Lira	1520.60	1484.38	−2.38	−2.38	±4.0856

Changes are for Ecu, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

BANK OF ENGLAND TREASURY BILL TENDER

	Sept. 6	Aug. 30		Sept. 6	Aug. 30
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.0904%	11.0102%
Total of applications	£306.66m	£392m	Average rate of discount	11.0480%	11.0009%
Total allocated	£100m	£100m	Average yield	11.36%	11.31%
Minimum accepted bid	£97.235	£97.255	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	18%	32%			

DOLLAR SPOT — FORWARD AGAINST DOLLAR

Sept 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3200-1.3680	1.3250-1.3260	0.43-0.40c pm	3.76	1.16-1.11 pm	3.43
Ireland†	1.0580-1.0762	1.0620-1.0640	0.17-0.07c pm	1.34	0.50-0.30 pm	1.49
Canada	1.3710-1.3735	1.3726-1.3731	0.09-0.12c dis	−0.92	0.31-0.36dis	−0.98
Nethlnd.	3.2485-3.3100	3.2870-3.2890	0.62-0.60c pm	2.24	1.88-1.85 pm	2.28
Belgium	58.34-59.21	59.00-59.20	5-7c dis	−1.23	20-23c dis	−1.47
Denmark	10.45½-10.64½	10.61-10.61½	½-1ore dis	−0.85	¾-1¼ dis	−0.38
W. Ger.	2.8825-2.9400	2.9285-2.9295	0.86-0.81pf pm	3.45	2.59-2.54 pm	3.53
Portugal	172½-174	173-174	100-350c dis	−15.58	450-1200dis	−19.02
Spain	169.80-172.15	171.50-171.80	65-120c dis	−6.48	225-325 dis	−6.43
Italy	1927-1950	1946½-1947½	6-7lire dis	−4.63	20½-22 wdis	−4.39
Norway	8.42-8.52½	8.51¼-8.52¼	2½-3ore dis	−3.89	8½-9 dis	−4.13
France	8.82-8.96	8.93½-8.94	1.15-1.30c dis	−1.66	5.00-5.40dis	−2.34
Sweden	8.48-8.58½	8.56½-8.56¾	4¾-5¾ore dis	−7.03	13¾-14¾ dis	−6.56
Japan	240.40-244.50	243.45-243.55	0.36-0.31y pm	1.63	1.14-1.09 pm	1.84
Austria	20.25-20.65	20.55-20.60	5-4½gro pm	2.72	14½-12 pm	2.60
Switz.	2.3700-2.4190	2.4180-2.4190	0.78-0.70c pm	3.68	2.06-2.00 pm	3.39

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 58.90-58.95.

CURRENCY MOVEMENTS

Sept. 6	Bank of England Index	Morgan Guaranty change %
Sterling	81.0	−9.3
U.S. dollar	141.4	+27.6
Canadian dollar	86.6	−7.4
Austrian schilling	114.4	+4.3
Belgian franc	90.1	−10.7
Danish Kroner	78.5	−5.6
Deutsche mark	124.7	+7.8
Swiss franc	145.7	+10.8
Guilder	114.6	+4.2
French franc	66.3	−14.3
Lira	44.1	−19.7
Yen	156.7	+12.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.760966	0.573141
U.S.$	7½	1.01665	0.765143
Canadian $	9.20	*	1.05016
Austria Sch.	4	20.7600	15.6854
Belgian Fr.	9¾	[illegible]	[illegible]
Danish Kr.	7	10.7053	8.08029
D mark	4	2.95896	2.23001
Guilder	5	3.32699	2.50776
French Fr.	9½	9.02551	6.80595
Lira	15½	N/A	1484.38
Yen	5	245.368	185.547
Norway Kr.	8	8.59425	6.50180
Span'h Pta.	—	173.655	131.107
Swedish K.	10½	8.65118	6.54618
Swiss Fr.	4	2.43742	1.84132
Greek Dr'ch	20½	140.815	105.911
Irish Punt	13½	0.951919	0.716486

*C$/SDR rate for September 5: 1.40574.

EXCHANGE CROSS RATES

Sept. 6	Pound St'ling	U.S. Dollar	Deutschemk.	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.326	3.883	323.5	11.82	3.208	4.360	2583.	1.817	78.40
U.S. Dollar	0.754	1.	2.929	243.5	8.938	2.419	3.288	1947.	1.371	59.10
Deutschemark	0.258	0.341	1.	83.32	3.044	0.826	1.123	665.0	0.468	20.19
Japanese Yen 1,000	3.091	4.097	12.00	1000.	36.54	9.915	13.48	7981.	5.618	242.3
French Franc 10	0.846	1.121	3.286	273.7	10.	2.714	3.689	2184.	1.537	66.33
Swiss Franc	0.312	0.413	1.210	100.9	3.685	1.	1.359	805.0	0.567	24.44
Dutch Guilder	0.229	0.304	0.890	74.20	2.711	0.736	1.	592.2	0.417	17.98
Italian Lira 1,000	0.387	0.513	1.504	125.3	4.578	1.242	1.689	1000.	0.704	30.36
Canadian Dollar	0.550	0.729	2.136	178.0	6.504	1.765	2.399	1421.	1.	43.14
Belgian Franc 100	1.276	1.691	4.952	412.6	15.08	4.091	5.561	3293.	2.318	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	11½-11¾	7¾-7⅞	8-8½	5⅛-5⅜	2⅛-2⅜	4⅜-4½	—	11-14	8¼-8½	8⅛-8⅜	6¼-6⅜	8¼-8¾
7 days' notice	11½-11⅝	7⅞-8	8¼-8½	5⅛-5⅜	2¼-2½	4⅜-4½	—	10⅝-12⅛	8⅝-8⅞	8⅛-8¾	6⅛-6⅜	8½-9
Month	11¾-11⅞	8⅛-8¼	8⅛-8⅜	5⅛-5⅜	4⅛-4⅜	4½-4⅝	9⅝-9⅞	11½-12¾	8⅞-9⅛	8⅞-9⅛	6⅛-6½	8⅝-9⅛
Three months	11¾-11⅞	8⅛-8⅜	8⅞-9⅛	5⅛-5⅜	4⅜-4½	4½-4⅝	10¼-10½	12⅝-13	9⅛-9⅝	9¼-9½	6⅜-6½	8¾-9¼
Six months	11⅛-11⅜	8⅜-8½	9⅛-9⅜	5⅛-5⅜	4⅜-4⅞	4⅝-4¾	10⅞-11⅛	12⅞-13⅝	9⅝-9⅞	9½-9¾	6⅛-6⅜	8¾-9¼
One year	11¼-11⅝	8⅜-8⅝	9⅛-9⅜	5⅛-5⅜	4¾-4⅞	4⅜-4⅝	11⅝-12	13½-14	9⅞-10⅛	9⅝-9⅞	6⅛-6⅜	9-9½

Asian $ (closing rates in Singapore): Short-term 7¾-7⅞ per cent; seven days 7⅞-8 per cent; one month 8-8⅛ per cent; three months 8⅛-8⅜ per cent; six months 8⅜-8½ per cent; one year 8⅝-8¾ per cent. Long-term Eurodollars: two years 9⅛-9⅜ per cent; three years 9⅜-9⅝ per cent; four years 9⅝-9⅞ per cent; five years 10⅛-10⅜ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Base rates may come under pressure

Last week was rather confusing as far as the London money market was concerned. Credit conditions were easier than of late, but the level of market rates provided no comfort for those hoping for a cut in clearing bank base rates. Sterling's fall against a very strong dollar on Friday kept three-month interbank firmly in the region of 11¾ per cent, and unless tomorrow's UK money supply figures prove much better than expected, the banks will soon be able to justify a rise of ½ per cent in base rates.

There was little significance in the long dated repurchase agreement offered to the discount houses by the Bank of England on Monday, after another daily shortage in the region of £1bn.

On Tuesday credit conditions showed a marked improvement, after the redemption of 8¾ per cent Treasury Convertible stock injected at least £500m of extra liquidity into the money market.

The short end of the market traded below 12 per cent for most of the day, and overnight interbank finished around 2 per cent. The Bank of England also announced it would cut £500m from the temporary facilities to be rolled over for the market from today, providing only £1bn until October 14.

A small shortage of £100m was forecast on Wednesday, but the authorities did not intervene, and on Thursday also appeared to leave the market at least £100m short after the day's assistance. This did not result in any sharp rise in the overnight interbank rate however and conditions were generally very comfortable on both days.

UK clearing banks base lending rate 11½ per cent since July 30

MONEY RATES

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.6)

3 months U.S. dollars

bid 8 1/8	offer 8 1/4

6 months U.S. dollars

bid 8 1/4	offer 8 3/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

FINANCIAL FUTURES

LONDON

CHICAGO

WEEKLY CHANGE IN WORLD INTEREST RATES